Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NIS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr6.00
Egypt E£2.25	Lebanon $L100.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan NT$85
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr7.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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US insurers: living dangerously again, Page 16

World News

US plans for world farm reform criticised

The latest US proposals for the reform of world agriculture go beyond the scope of what has already been agreed in the General Agreement on Tariffs and Trade (Gatt), and the European Community will never agree to a total elimination of subsidies on farm exports, Frans Andriessen, EC Farm Commissioner, said. Page 18

Italian flood toll

At least 14 people died in northern Italy in floods and landslides following torrential rains. Worst hit was the village of Tartano near the Swiss border.

Gulf mines cleared

The Kuwait navy began clearing mines outside its oil port before US warships start shepherding in reflagged Kuwaiti tankers within the next week.

Priest arrested

Soldiers in the Philippines arrested an Italian Catholic priest, Father Eligio Bianchi,at a convent in Mindanao on suspicion of helping communist guerrillas.

Ministers sacked

Two Soviet government ministers with responsibility for improving agriculture and industry - Sergei Afanasyev and Leonid Khitrun - were removed from their posts. No reason was given.

Martial law ends

Martial law ended in the four remaining south-eastern provinces of Turkey where it was still in force after running continuously for 8½ years. Page 2

Political squabble

Israel's Defence Minister, Yitzhak Rabin, sent in troops to prevent bulldozers from starting work on a new Jewish settlement ordered by Industry Minister, Ariel Sharon, highlighting Government divisions.

Sarney backed

A majority of delegates to a special convention of the Brazilian Democratic Movement party looked ready to back President Jose Sarney's demand for a five year term of office. Page 3

Najib in Moscow

Afghan leader Najib arrived in Moscow on a previously unannounced visit believed probably linked to his Soviet-backed Government's efforts to end the war in Afghanistan.

Rocket attack

Rebels fired rockets into a cinema hall in the central Afghan town of Bamiyan, killing six people and wounding another 20, Kabul Radio reported.

China warns Japan

A member of China's politburo Hu Qiaomu accused Japan of hostility towards Peking and warned it would pay a heavy price if it rejected China's overtures for good relations.

Hungarian price rise

Hungary announced price rises of more than 30 per cent in a wide range of consumer products, including bread, flour and tobacco,as well as heating oil, electricity and petrol.

Quisling bomb blast

Norwegian police arrested a man who set off a bomb at the grave of the infamous Nazi collaborator Vidkunn Quisling, who seized power after Hitler's army invaded Norway in 1940.

Faldo wins Open

Nick Faldo of Britain won the British Open golf championship at Muirfield by one stroke from the young American Paul Azingher. Faldo scored a final round of par 71 for a total of 279.

Convict flies out

A French convict was airlifted to freedom from prison in Nice by an armed accomplice in a hijacked helicopter.

Business Summary

Japanese to curb property speculation

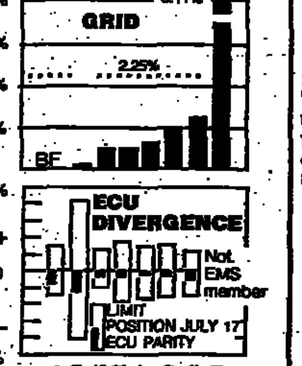
JAPANESE Finance Ministry intends to tighten surveillance of bank lending for property transactions, in an attempt to curb the rampant speculation which has rapidly forced up land prices in the country's urban areas.

The ministry will open public hearings early this week on the question of the banks' role in property lending. It is also considering taking steps to increase the frequency with which banks report to the authorities on their loans for land transactions.

EUROPEAN Monetary System: Most currencies showed a modest improvement last week in relation to their fixed central rates.

The dollar's solid performance, notably against the D-Mark, came in spite of disappointing US trade figures and allowed the tradionally weaker members of the system to appreciate.

The French franc remained the most improved currency, followed by the Danish krone. The Belgian franc remained the weakest member but continued to trade well within its divergence limit.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

BANKAMERICA, parent of the troubled US bank, formally requested some Japanese insurance companies to purchase $100m issue of preferred stock. Page 19

FLETCHER Challenge, New Zealand diversified industrial group, suffered a setback in its bid to buy 35 per cent of New Zealand Forest Products. Page 19

TEXAS Instruments, large US semiconductor manufacturer, reported second quarter net profits of $61.9m. Page 20

COMSAT, leading US operator of space-based telecommunications and broadcasting links, reported second quarter after-tax charges and provisions of $98m. Page 20

NOVEL Enterprises, leading Hong Kong textile group, posted net profit of HK$ 125.9m for the year to March. Page 20

NEW YORK TIMES approved spending some $400m on printing plant in New Jersey. Page 20

ROYAL Trustco of Canada reported second quarter earnings of C$51m. Page 20

COCA-COLA, world's largest soft drinks group, is to repurchase up to 10 per cent of its common stock over the next three years. Page 20

UNITED Overseas Bank, Singapore's smallest domestic bank, gained support for takeover of Industrial and Commercial Bank from Singapore authorities. Page 19

OHBAYASHI, Japanese construction and property group, reported 17.6 per cent decline in net earnings to Y6.14bn ($40m).

Ministers gather to back UN call for Gulf ceasefire

BY OUR FOREIGN STAFF

THE UN Security Council is today due to issue a formal call for an end to the Iran-Iraq war amid continuing fears of an escalation of the conflict and a deepening crisis between Iran and two of the Council's permanent members, France and Britain.

Mr George Shultz, the US Secretary of State, Sir Geoffrey Howe from Britain and Mr Jean-Bernard Raimond from France are among a number of foreign ministers expected to be in New York to give their backing to a resolution calling for an immediate ceasefire and the withdrawal of troops to the pre-war Iran-Iraq border. However, Iran reiterated at the weekend that it would not accept the resolution, saying it would hamper efforts to mediate in the war by Mr Javier Perez de Cuellar, the UN Secretary-General and calling on the Council instead to condemn Iraq.

Meanwhile, a row continued between France and Iran over the fate of their diplomats following their break in relations last Friday, and fresh tensions surfaced between Britain and Iran following an assassination attempt on an Iranian opposition leader in London on Saturday.

French and Iranian diplomats remained under blockade in Tehran and Paris last night after both countries strengthened the guard around each other's embassies, with CRS riot police taking up positions around the Iranian mission in Paris and Iranian revolutionary guards replacing regular police outside the French embassy in Tehran.

The French Foreign Ministry has officially informed Iran that it wants arrangements for the departure of the two groups of diplomats to be completed by Wednesday, five days after the breaking off of relations.

The Wednesday deadline has implicitly been rejected by Tehran radio and French officials are not confident of reaching a solution by then.

The two countries have reached stalemate over the status of Mr Wahid Gordji, the Iranian official who has taken refuge in his country's Paris embassy and whose refusal to appear for questioning by the French police sparked off the crisis.

France refuses to let Mr Gordji, who does not have diplomatic status, leave the country without first answering questions from Mr Gilles Boulouque, the judge investigating last September's wave of terrorist bombings.

In return, the Iranians have accused Mr Paul Torri, France's First Secretary in Tehran, of crimes ranging from espionage to drug-running. According to Tehran radio, the Iranian Interior Ministry broadened the spying charges on Saturday to a number of other members of the French embassy.

In Brussels today, Mr Bernard Bosson, Minister for European Affairs, will brief the European Community Council of Ministers on France's breach with Iran. France will not, however, ask its EC partners to take any specific measures to support it, remembering, perhaps, the hesitation and reluctance which greeted the UK last year when it asked the EC for sanctions against Syria.

Italy has agreed to take over the representation of French interests in Iran, while the Iranian Government is reported to have asked Pakistan to act for it in Paris.

The French Government is also understood to have taken measures to protect vulnerable targets, including French embassies in other Islamic countries, the 500-strong French contingent in the United Nations peacekeeping force in Lebanon, and French shipping in the Gulf.

In London, the Government came under pressure yesterday to impose stricter controls on Iranian supporters of Ayatollah Ruhollah Khomeini in Britain following Saturday's car bomb explosion which seriously injured Mr Amirhussein Amir-Parviz, a leading opponent of the Ayatollah's regime. Mr Amir-Parviz, British chairman of the National Movement for Iranian Resistance, was recovering in St Stephens Hospital, London.

In the Gulf itself, the US plan to protect 11 Kuwaiti oil tankers by placing them under the American flag is set to proceed this week.

Anibal Cavaco Silva: strong showing

PSD heads for historic victory in Portugal

By Diana Smith in Lisbon

THE RULING Portuguese Social Democrats, whose minority government was toppled by a left-wing opposition censure motion in April, seemed headed for an overall majority after the polls closed in yesterday's general election.

Early projections of between 45 and 47 percent of the vote for Prof Anibal Cavaco Silva's PSD – with a minimum of 43.5 per cent needed for a working majority of 126 of Parliament's 250 seats - indicated that the long deadlock of coalition or minority governments had been broken and that for the fist time this century, a democratically-elected party will be able to serve out its four year mandate wihout fear of being toppled prematurely.

The result was a triumph for the high-pressure, strongly-personalised campaign of Prof Cavaco Silva, who energetically sold his centre right party's image with the message that it is time for Portugal to have majority rule, with a chance to make long-delayed economic and labour reforms, and to rise more rapidly to standards of living closer resembling those of Portugal's EC partners.

Scores of young voters appear to have responded to the hard-sell Cavaco message, eschewing the moderate Left which also wants modernisation and is committed to EC membership, but was unable to persuade enough of the electorate this time round that it could race forward as rapidly and ambitiously as the Cavaco-fuelled bandwagon.

While the PSD soared ahead yesterday to its majority from just under 30 per cent of the vote in 1985, the Socialist PS ,led by Dr Vitor Constancio was seen in the first projections to have taken about 23 per cent of the vote – better than its 1985 results - and to

Continued on Page 18

Thatcher to push Moscow on arms talks

BY JOHN HUNT IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, who returned yesterday from her stopover in Jamaica after talks in Washington with President Ronald Reagan, is to send a message to Mr Mikhail Gorbachev, the Soviet leader, in an attempt to inject some momentum into the nuclear arms talks in Geneva.

UK Government officials were, however, playing down suggestions that the Mrs Thatcher was proposing a new initiative in the talks or that she was passing on a message from President Reagan, acting as a broker between him and Mr Gorbachev.

The US has accused the Soviet Union of dragging its feet over the negotiations.

But her approach to the Soviet leader is bound to reflect the discussions she had with Mr Reagan on arms control, one of the main reasons for her visit. She is also in a position to exploit her unique relationships with both Mr Gorbachev, consolidated during her visit to Moscow in April, and President Reagan.

Mrs Thatcher said she would be in touch with Mr Gorbachev because the question was frequently raised as to whether the Soviet Union was dragging its feet on arms control negotiations.

She did not think that it was, but added: "I think that message should be sent to Mr Gorbachev so that the negotiations, if he wants an agreement - and I believe he does - can perhaps get down to the details and be completed by the end of the year."

Progress in the talks between the US and the Soviet Union has been delayed because of differences over the "double-zero solution," involving the elimination from Europe,and perhaps the world, of medium and shorter-range nuclear missiles.

Yesterday Mr Hans-Dietrich Genscher, the West German Foreign Minister, appealed to the US and Soviet Union to reach an accord this year to scrap medium-range nuclear missiles in Europe and ban chemical weapons worldwide.

Patrick Cockburn in Moscow adds: Soviet officials have said in recent months that they are disappointed by progress at the nuclear arms talks in Geneva and there will be no summit meeting between Mr Gorbachev and President Reagan unless these are resolved.

Soviet concern centres on the future of 72 Pershing 1A nuclear missiles. While the missile themselves are under West German control, the nuclear warheads are controlled by the Americans. Moscow says retention of these would breach any agreement on the abolition of medium and short range missiles in Europe.

Other Soviet worries include the US plans to convert Pershing 2 missiles into a shorter range weapon and to station cruise missiles on board US submarines.

Moscow appears to feel that President Reagan wants a summit with Mr Gorbachev in Washington this year much more than he wants nuclear arms control. Mr Gorbachev has said that Moscow had made enough concessions in reducing its nuclear arsenal and wants to see an American response.

It is not clear to what extent Britain can play a role in breaking the deadlock. In the past, the Kremlin has seen advantages in talks with Mrs Thatcher on the grounds that she is the European leader closest to President Reagan.

Vatican and Craxi in bitter exchanges

BY ALAN FRIEDMAN IN MILAN

THE VATICAN was locked yesterday in a bitter war of words with Mr Bettino Craxi, the former Italian Prime Minister and Socialist Party leader, who has attacked the Catholic Church for interfering in last month's general election campaign by taking the side of the Christian Democrats. The Vatican accused Mr Craxi of "intimidation" and defiantly defended its right to pronounce on Italian politics.

The exchange of verbal violence between the Holy See and Mr Craxi came in a weekend which also saw mounting controversy over the decision on Friday by Italy's Supreme Court to nullify arrest warrants which had charged Archbishop Paul Marcinkus, the Vatican bank chief, with fraud in the 1982 collapse of Banco Ambrosiano.

The decision left some leading businessmen in Milan muttering their disgust in private and even led to the tabling by left-wing MPs of a parliamentary motion which demanded the immediate renegotiation of the

Continued on Page 18

Westinghouse sued over Brazilian nuclear plant

BY IVO DAWNAY IN BRASILIA

FURNAS CENTRAIS ELETRICAS, a subsidiary of Brazil's state-owned electricty utility, Eletrobras, has launched a multi-million dollar legal action against Westinghouse Electric Corporation, the US engineering and electrical contractor, for losses and damages incurred at its troubled nuclear plant, Angra 1.

The Brazilian company claims that persistent problems at the Westinghouse-designed reactor, located in Rio de Janeiro state, are causing lost earnings of some $6m a month.

The action, registered in the Federal Tribunal of the District of New York, intends to seek "tens of millions of dollars" in damages and compensation, according to Mr Camilo Penna, president of Furnas.

Technicians and lawyers allege that steam generators and related equipment supplied to the reactor will not have the 40-year life originally projected because of defects in materials and construction, a Furnas statement said.

Talks have been continuing between the two companies for a year in an attempt to resolve the dispute. But, according to the Brazilians, Westinghouse has refused to guarantee its equipment or to offer acceptable commercial terms for a deal.

"They have adopted an intransigent attitude. It has got to the point where it was no longer possible to negotiate further," Mr Penna told the business newspaper Gazeta Mercantil on Friday.

The Angra-1 reactor, Brazil's only functioning nuclear power station, has been dogged with financial and operating problems since its inauguration in 1983, earning itself the nickname of "the firefly" because it is repeatedly turned on and off.

Over the four years, it has functioned normally only for a few months. The Chernobyl disaster in the Soviet Union and at least one report of an allegedly small leakage of radioactivity from the reactor have added political controversy to the issue.

Two further reactors - Angra 2 and 3 - are also under construction. These contracts were won by Kraftwerk Union, the West German civil engineering company, amid widespread criticism of the Westinghouse unit.

However, years of financial problems, rooted in Brazil's $113bn debt burden, have also seriously delayed these projects and last month the Government announced the indefinite postponement of further work.

India's political crisis deepens as Defence Minister resigns

BY K.K. SHARMA IN NEW DELHI

THE POLITICAL crisis in New Delhi over allegations of bribes and payoffs on defence contracts deepened over the weekend with the resignation of Mr Arun Singh, the Defence Minister.

Mr Rajiv Gandhi,the Prime Minister, also expelled his main rival, Mr V.P. Singh, from the ruling Congress-I party. Mr Singh resigned from the cabinet last April without giving a reason, but it is widely believed that he had been dissatisfied with the handling of negotiations with the Swedish company, Bofors, over the naming of Indians who had been bribed or received payoffs.

The country has been in turmoil for more than four months over charges that Bofors had paid large bribes to obtain a $1.4m contract for the supply of heavy howitzers for the Indian army after an inquiry was ordered by Mr V.P. Singh last March when he was Defence Minister.

The charges were first made by Swedish radio and then admitted by Bofors, which revealed to its government that some $90m had been paid into Swiss bank accounts.

Opposition members and some members of Mr Gandhi's ruling Congress-I party have alleged that the bribes and payoffs were made to people close to the Prime Minister. Some charges have directly involved Mr Gandhi and there has been pressure on him either to take action against the guilty or resign.

The furore over the Bofors contract and at least one other major defence deal for the purchase of two submarines from West Germany has seriously tarnished Mr Gandhi's image.

Last week, Mr Gandhi expelled three former ministers from Congress-I on suspicion, it is widely believed, that they were trying to remove him from office.

This was followed by an offer from Mr V.P. Singh, who quit as Defence Minister last April, to resign from the party and parliament. His offer was not accepted last week by Mr Gandhi, but the Prime Minister suddenly expelled him

Then last Friday Mr Gandhi accepted the resignation from parliament of the film star and childhood friend, Mr Amitabh Bachchan.

Charges of holding foreign exchange abroad have been made against Mr Bachchan and his younger brother, Mr Ajitabh Bachchan, and yesterday Mr Gandhi gave into pressure and ordered an inquiry into charges against the latter.

With the resignation of Mr Arun Singh from the Defence Ministry and the expulsion of Mr V.P. Singh from Congress-I, Mr Gandhi's troubles have increased at a time when his vote-catching abilities are in doubt because of a number of defeats in recent state elections.

CONTENTS

OVERSEAS NEWS

David Gardner reports on charges from left and right that Beteta's victory was bolstered by inflated returns

PRI credibility under attack after Mexico state election

MEXICO'S OPPOSITION, both left and right, has accused the ruling Institutional Revolutionary Party (PRI) of manipulating recent election results in the state of Mexico, essentially to cover up the huge rate of abstention.

Nobody is disputing that the PRI candidate for Governor, Mr Mario Ramon Beteta, the former head of Pemex, the state oil monopoly, won the election on July 5.

The argument is whether he got the support of a third of all eligible voters — as the Government-dominated electoral commission says—a fifth as the socialists claim, or worse still, only one out of 10 possible votes as the right-wing National Action Party (PAN) insists.

The electoral commission claims a turn-out of 53 per cent, while the opposition says between 20 and 30 per cent of those eligible to vote did so.

The opposition has so far provided little more than anecdotal proof to back its claims yet there is little doubt that abstention was the hallmark of the election — electoral fraud charges are routine in Mexico.

In the huge state of Mexico municipality of Naucalpan, for instance, PRI officials admit privately that ballot-rigging was used in 1985 to deprive the PAN of a first-past-the-post seat in Congress (as opposed to the one out of every four, consolation prize, proportional representation seats reserved for the opposititon) which the right eventually secured on appeal. But the context in which the argument over clean elections takes place is fast changing.

The state of Mexico poll is one of the few significant contests remaining before next year's presidential elections, accepted by nearly all sides as the most difficult transition the 70-year old regime has had to face since it consolidated its position in 1940.

The state adjoins Mexico City and is in many respects a microcosm of the country. Because of its high visibility the PRI-government assigned Mr Beteta a huge if undeclared budget to get the vote out.

But voters once more showed disinterest in a contest the outcome of which was a foregone conclusion. The PRI has never allowed itself to lose a significant election and has not once ceded a state government.

Its credibility has been eroded, both throughout society and now by dissidents inside the party, by its economic failures, corruption, and its unwillingness to surrender even a small portion of its power monopoly to a society whose growing sophistication is the regime's single most important achievement, even while it presents it with its greatest challenge.

On the rare occasions when Mexicans' sympathies have been engaged in elections it has been because the opposition was perceived as sufficiently powerful to challenge the PRI monopoly.

This was the case in governorship elections in the northern states of Sonora and Nuevo Leon in 1985 and Chihuahua last year, when strong challenges from the PAN were dissipated by ballot-rigging, instances of which were witnessed and documented by journalists covering these bitterly-fought contests.

In the State of Mexico the opposition as a whole is saying the PRI inflated the returns to disguise public disdain for these pre-determined formalistic exercises, as some party leaders admit it has in the past done in the south, where outside pockets of left-wing influenced disinterest in elections is almost total.

THERE is no argument that the PRI candidate for Governor, Mr Mario Ramon Beteta, won the Mexico state election. But opposition leaders do challenge the extent of his support in one of the few major contests before the presidential poll

The left, in particular, is claiming the Government, in addition, cheated it out of second place, in a state where the PAN has shown strength in urban areas. This was the first electoral outing for the left since it started a reunification process in the spring, and it fielded a well-known soap-opera actor who fought a vigourous campaign which drew substantial crowds.

Whether or not the socialists' claim is true, nearly all analysts of Mexican politics accept that PRI would much prefer the right-wing PAN as its main outside challenger over the next year. The PAN is a programmatically weak conduit for middle-class protest votes, which is easily presented as a US stooge party while it makes enough noises to create the impression of a genuine contest.

The traditionally fractious and ineffectual left, on the other hand, has since its reunification shown signs that it intends to mount a serious campaign against the PRI.

This year, for the first time since the 1982 financial collapse and subsequent recession, the left has indicated that it may have some relevance to Mexican public life, leading, for instance, a successful university strike and stirring up the labour movement, still quiescent despite the beating it has taken from the crisis.

The independent left is working the same side of the street as the ruling party's left-wing nationalist dissidents, led by Mr Cuahtemoc Cardenas and his so-called Democratic Current.

Mr Cardenas has become a national figure this year largely by dint of two botched attempts by the PRI to expel him. On July 3 he openly challenged President Miguel de la Madrid's right to handpick his successor—the traditional method by which the regime perpetuates itself every six years—and put forward his own candidacy, saying an elected PRI Congress should choose who to field as its next President.

Mr Cardenas' candidacy will not prosper, but it could gather spoiling power if the clientele of the left as a whole is seen to grow.

Chinese look out for a thumping good melon

By Robert Thomson in Peking

EACH night this summer, millions of Chinese are gathering around television sets for a report that serves as basic a function as the weather forecast . . . the water melon wrap-up.

It is high-season for water melons, and the streets of Peking, the Chinese capital, are lined with water melon men thumping melons to prove to passers-by, who will consume nearly one melon a day and sometimes much more, that they are of the best quality.

The Peking municipal government estimates that the city's 9m population will eat 250 mkg of water melons during the summer.

Families watch the television report in the eager way that a stockholder scours the share lists of a financial newspaper in the West.

Train robbed

Chinese work units have begun to enter into the spirit of the season by providing workers with a "water melon allowance." If a work unit does not have the connections to obtain good melons on the cheap, it will give staff a cash subsidy.

One Peking newspaper sent its trucks deep into the countryside to provide workers with 25 water melons each, although the melons were sold by the farmers on the condition that the newspaper's staff collected the seeds and returned them to the farm.

The big news this season has been the "great train robbery," and the fate of Lao Guixing and Zhang Minghua, the masterminds of the water melon heist.

Several weeks ago, Lao and Zhang led 160 fruit vendors in an assault on a fully-laden train at Peking's Yongdingmen station.

The gang members, some of whom rode to the scene on pedicabs, stole 25 tonnes of water melons. But, a few days later, Lao and Zhang were caught, paraded on television with their heads shaved, and given life sentences for their crimes. The water melon season has gradually become more of an event since China launched its economic reforms in late 1978, and allowed farmers to control crops.

Local farmers say bad weather has reduced the crop slightly this year, and prices are certain to rise from the 80 US cents that it takes to buy a quality melon.

One melon man Xiao Liu, who sells from the back of a bicycle trailer in the east of the city, claims to earn about $700 a month, which is more than twice the average annual urban wage in China.

He explained the complex art of picking a good melon: when thumped, the ideal thick-skinned model will give off a dull thud and not too many vibrations.

Xiao Liu goes in for the hard sell. Showing the flair that China now encourages, he has painted on his melons the characters for "extra special quality." He also showed his skills with a knife in what Chinese call "killing a melon."

Garlic crop

While Xiao Liu has done well out of economic reform, a group of garlic farmers from Cangshan, in Shandong province on the north coast, recently showed their displeasure with the way local officials were managing the reforms by storming the local government building armed with garlic.

The garlic crop in the region has been too successful and, according to the official China Legal News, the problem has been exacerbated by sloppy distribution by local officials, with the result that garlic prices have plunged.

An angry farmer and his wife rode to the government building in a cart full of garlic and told officials that they came bearing gifts.

The couple then began throwing garlic around the offices, and were soon joined by other irate farmers in what the Chinese press has dubbed "the Cangshan garlic incident."

Soviet output grows 3.5% in first half

BY PATRICK COCKBURN IN MOSCOW

SOVIET industry grew strongly in the first half of the year as oil and gas, the mainstays of the country's foreign trade, exceeded targets. However, engineering industries have been slow to respond to increased investment.

Industrial output grew by 3.5 per cent in the first six months of the year compared with the same period in 1986, according to the central statistics directorate. The figure for the second quarter of the year is 4.4 per cent, showing a recovery from a poor first quarter affected by bad weather and newly-introduced quality control.

At the same time, the removal yesterday of two ministers in charge of important sectors of the engineering industry underlines the Kremlin's need to maintain growth in the economy by traditional centrally-administered methods as it embarks on radical economic reform.

Mr Leonid Khitrun, Minister of Machine Building for Livestock Farming and Fodder, was dismissed afer heavy criticism by Mr Gorbachev for poor organisation and quality of output last month at the party's central committee.

The Soviet leader said the Kremlin was worried by the performance of the Ministry of Heavy and Transport Machine Building. Mr Sergei Afanasyev, the ministry's head, was also removed.

The best results in the economic figures published yesterday are in the crucial energy industries. Oil and gas concentrate, of which the Soviet union is the world's largest producer, was 1 per cent above target at 309m tonnes and output is evidently responding to higher investment and better management.

Gas production at 359bn cubic metres and coal output of 383m tonnes are both 2 per cent above target. Gas has traditionally done better than the other energy industries but coal has only improved performance since 1984.

Electricity output for the first half of the year was on target despite a slowdown in the commissioning of nuclear reactors following the Chernobyl nuclear accident. This has been achieved by bringing old power plants back on stream and squeezing more out of existing stations.

Good quality consumer goods are still in short supply but outputof basic foodstuffs such as meat, milk and eggs has continued to rise sharply.

Despite improvements in these sectors of the economy, the Soviet machine building and engineering industries are failing to increase output at the high rate laid down in the plan. This may be partly a result of the introduction of a quality control organisation, called Gospriomka, at the beginning of this year, which certifies the quality of 20 per cent of industrial output.

Withdrawal of Turkish martial law completed

BY DAVID BARCHARD IN ANKARA

MARTIAL law ended yesterday in the four south-eastern Turkish provinces where it was still in force.

It had run continuously for 8½ years in the south-east. Turkey lifted martial law by stages in all its other provinces and it has not been in force in the main ones for more than a year.

The government is believed to be eager to demonstrate to western Europe, especially to the European Community which it applied to join last April, that the military has completely withdrawn from politics.

Security in the provinces concerned (Diyarbakir, Mardin, Siirt and Hakkari) seems, however, to be getting worse.

Attacks by Kurdish terrorists on pro-government villagers have become almost daily occurences. The lifting of martial law coincided with a raid on the village of Isikveren, near Uludere in Hakkari, in which three villagers were killed.

Meanwhile, the new civilian regional governor who will co-ordinate anti-guerrilla operations in eight provinces, Mr Hayri Kozakcioglu, started work yesterday.

Canadian NDP poll test

BY ROBERT GIBBENS IN MONTREAL

CANADIAN voters in three federal districts turn out today in a major test of whether the surging New Democratic Party led by Mr Ed Broadbent can translate its popularity in the polls into more seats in Ottawa.

The NDP, capitalising on disappointment with Prime Minister Brian Mulroney's ruling Progressive Conservatives and the spotty performance of the Liberal opposition under Mr John Turner, is given a good chance of winning two of the districts, including the most important, Hamilton Mountain, near Toronto.

If it won all three, it would have 33 seats in the House of Commons compared with 40 for the Liberals and 208 for the Tories.

The NDP in the latest Gallup poll was given 41 per cent of the decided vote across Canada, up several points to a new high, while the Liberals slipped to 35 per cent and the Tories held 23 per cent.

S African black unions give backing to sanctions

By Anthony Robinson in Johannesburg

THE CONGRESS of South African Trade Unions, South Africa's biggest and most important black trade union federation, has voted in favour of compulsory and mandatory sanctions against South Africa and disinvestment by the remaining foreign companies.

Nearly 1,500 delegates representing 712,000 workers in 13 affiliated unions also voted to adopt the 1955 Freedom Charter, which calls for nationalisation of mineral wealth, the banks and monopoly industries, as well as redistribution of land, as their ideological beacon.

The media were barred from the two days of debate but a press conference chaired by re-elected top officials on Saturday confirmed that delegates had rejected government admonitions to confine themselves to shop-floor issues and had adopted radical motions focused on the rapid overthrow of the "racist apartheid regime."

Shrugging off questions about the likely effect of the disinvestment motion on employment, Mr Frank Meintjies, the Cosatu press officer, said: "We must employ comprehensive measures to end the apartheid regime before rebuilding a democratic society."

Mr Jay Naidoo, re-confirmed as general secretary by the congress, confirmed that congress "had actively voted for all foreign companies to leave South Africa." He made clear, however, that it was up to the affiliates themselves to negotiate the details.

Congress had recognised that until now disinvestment "amounts to nothing more than corporate camouflage which often allows these companies to increase their support for the regime," he said.

In future the unions would demand to be informed and consulted about the manner and timing of disinvestment and would seek co-operation from foreign unions to put pressure on disinvesting companies to ensure that their withdrawal ensured that "the social wealth remains the property of South Africa."

Senior officials appeared to reject efforts such as that of Ford Motor Corporation of the US. Ford is seeking an agreed formula which would entail transferring to the motor workers' union a minority of its shares in the Samancor car company, jointly owned with Anglo American Corporation.

Cosatu appears to have rejected solutions which do not give workers control. Mr Naidoo said: "You can't be black and oppressed and at the same time on the board of directors."

He also rejected the idea of equity participation for black workers.

Cosatu's determination to increase its influence in the public sector has placed it on a collision course with a government which up to now has banned strikes in public services or strategic sectors. This is now being reviewed by a commission headed by Prof Nic Wiehahn.

Armed forces in the Philippines arrest Italian priest on charge of aiding rebels

THE Philippine armed forces have arrested an Italian missionary suspected of helping communist rebels and expressed irritation at priests with guerrilla links, Reuter reports from Manila.

"There are a lot of priests who are supporting the NPA (New People's Army) and even fighting with them," said Brigadier-General Mariano Adalem after the arrest of Father Eligio Bianchi.

"Our job would be a lot easier if he (Bianchi) was not around."

Soldiers swooped in on a Roman Catholic convent on the southern island of Mindanao at dawn on Saturday and arrested Father Bianchi as he woke up. An illegally-operated two-way radio was seized.

Father Bianchi will be tried for subversion and faces deportation, the military said.

The priest, described by the military as being in his early 30's, has denied the charges and said he could not support "a godless ideology."

The Italian embassy said they had not been officially informed of Father Bianchi's arrest.

"We must find out what had happened to him, what he has done, what he has not done," Ambassador Mario Crema said.

Ben Adalem aid he believed Father Bianchi had been working in the Philippines for about 10 years. During his four years at the convent he had supported the NPA and allowed the building to be used a rebel communication centre and shelter, he said.

Mr Bianchi wrote and conducted lectures for the communist cause, kept in touch by radio with nearby rebels and treated guerrillas in hs parish when they got sick, Gen Adalem said.

Soldiers raided the convent on June 17 and confiscated radio equipment which the military said the priest had no licence to operate.

Father Bianchi has said he used his radio to communicate with his religious superiors and other priests in the area.


Mrs Corazon Aquino

The NPA is the armed wing of the banned Communist Party and has been fighting an 18-year-old guerrilla war.

The conflict kills about 10 soldiers, rebels and civilians daily, according to military figures issued last week.

A Filipino priest who fought with the NPA until he broke ranks last year said in a newspaper interview the rebels' real strength was only a fraction of the 20,000 the NPA claim.

Father Conrado Balweg, a tribal leader in the northern Philippines who took up arms to fight injustices under former president Ferdinand Marcos' government, said that when he left in April the rebels had only about 4,000 armed regulars.

Mr Marcos, deposed in a civilian-backed military revolt last year, expelled several foreign missionaries during his 20-year rule and accused them of conniving with the rebels.

In a celebrated case, Australian Father Brian Gore and Irishman Father Niall O'Brian, agreed to leave the Philippines in 1985 after murder charges against them were dropped.

Many observers believed the charges were trumped up because of the priests' support for leftist organisations.

A number of Filipino priests represented guerrillas in cease-fire negotiations with the Aquino Government last year.'

Rabin sends in troops to head off Sharon

BY OUR TEL AVIV CORRESPONDENT

ISRAELI Defence Minister Mr Yitzak Rabin sent troops and police yesterday to prevent Trade and Industry Minister Mr Ariel Shron's bulldozers from clearing the ground for a new Israeli industrial estate in the occupied West Bank.

The standoff at a site known as Avnei Hefetz, near the Arab town of Tulkarem, highlighted the bitter divisions within Israel's national unity government over the future of Middle East peace efforts on the eve of a visit by Mr Ahmed Esmat Abdel - Maguid, Egyptian Foreign Minister.

Mr Sharon, the hawkish former Defence Minister who commanded Israel's 1982 invasion of Lebanon, sent his construction crew to create new "facts on the ground" in the struggle to ensure the West Bank and Gaza Strip are never returned to Arab rule.

His bulldozers seemed to be aimed more at demolishing the attempts of Shimon Peres, the



Yitzak Rabin (left) and Ariel Sharon

Foreign Minister to convene an international Middle East peace conference than at building new factories, for which owners have yet to be found.

Mr Abdel-Maguid, the first Egyptian foreign minister to visit Israel since before the Lebanon invasion, is expected to spend most of his three-day visit pleading for a peace conference, which Egypt believes could lead to direct talks between Israel and a Jordanian-Palestinian delegation.

His visit is also an attempt to demonstrate to sceptical Israelis the positive side of peace with the Arabs, Egyptian diplomats say. There will be talks on increasing trade, energy projects and promoting tourism.

But the trip is overshadowed by the divisions in Israel on the peace conference, which Prime Minister Yitzhak Shamir and his right-wing Likud bloc regard as a Soviet-made trap to force Israel into teritorial concessions.

Mr Shamir has promised to increase settlement effort in the occupied territories in a bid to stop the far-right opposition Tehiya party from providing Mr Peres's Labour party with the vital Knesset votes it needs to force early general elections. Mr Rabin, a senior Labour minister, opposes new settlements as an obstacle to peace efforts.

The Defence Ministry said Mr Sharon had not requested the necessary building permits. On Mr Rabin's orders, the local military governor declared the area a closed military zone and ordered the bulldozers to leave.

Reagan calls on Congress to continue Contra funds

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan, seeking to capitalise on the increased support for the Contra rebels in Nicaragua and to try and regain the political initiative as the Congressional hearings into the Iran/Contra affair move towards their close, has again called for Congress to commit itself to continuing to provide funds for the rebels.

"The American people are tired of the off-on again policy in Central America," Mr Reagan said in his weekly radio address on Saturday.

As Mr Reagan was making his appeal, eight prospective Democratic candidates for President were signalling at a party convention in Cleveland, Ohio, that they intend to try and make the Iran/Contra affair a campaign issue.

Each of the Democrats attacked the President but the harshest words came from Senator Joe Biden who described the arms for hostages deals as "morally repugnant."

The congressional hearings resume this week on Capitol Hill but there is increasing evidence that public interest in them is beginning to wane.

Only five more witnesses will testify after Rear Admiral John Poindexter, the former National Security Adviser finishes.

Three of these will be current top administration officials, namely Mr George Shultz, the Secretary of State, Mr Caspar Weinberger, the Secretary of Defence, and Mr Ed Meese, the Attorney General.

Schroeder may enter race for US presidency

BY STEWART FLEMING

THE MOST senior female member of the US House of Representatives, Ms Pat Schroeder has hinted strongly that she is poised to enter the race for the Democratic Party's presidential nomination.

Speaking at the annual convention of the National Organisation for Women, Rep Schroeder (47), told the 2,400 cheering delegates that she has the experience and the ability to make a serious White House bid. She has spent 15 years in the House.

To chants of "Run Pat, run." Ms Schroeder said: "We have got to remind (people) that America is every bit as progressive as the Philippines, Great Britain, India, Israel and Norway," all of whom have had female heads of state.

Mr Schroeder, who is the only woman from either major party so far to have indicated she could be a candidate, is trying to raise the $2m she believes she needs to make the race.

At the NOW convention she reportedly received donations of more than $300,000 and could qualify now for federal matching funds. She says she will make a final decision about running in September.

Should she decide to go ahead her candidacy might help to encourage other women to become more active in seeking political office, something she and other women political activists are pressing for in 1988.

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. Tel: 75980; Tlx: 416193; FAX: 722677.
FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Main party may support Sarney five-year term

BY IVO DAWNAY IN BRASILIA

A MAJORITY of delegates to a special convention of the Brazilian Democratic Movement Party (PMDB) looked ready yesterday to back President José Sarney's demand for a five-year term of office.

However, senior party officials were predicting they would insist on curbing presidential powers by imposing a parliamentary system of government in the new Brazilian constitution, now being drafted by Congress as a constitutional assembly.

The position adopted by the PMDB on these two central constitutional issues is crucial to Mr Sarney's political future. The party dominates both chambers of Congress and holds more than 300 of the 559 votes in the constitutional assembly.

The tumultuous extraordinary convention, in Brasilia yesterday, was revealing the bitterness of divisions within the party's ranks. In broad terms, the PMDB's centre-left—the so-called progressive group—wants a four-year term. The right-leaning Democratic Centre group seeks five years.

Beyond these divisions, are angry accusations from the party's rank and file that the leaders have abandoned its social democratic policies.

In chaotic scenes, rival factions chanted, cheered and jeered, drowning the voice of platform speakers and twice forcing proceedings to be abandoned. Appeals for order by Mr Ulysses Guimarães, the party chairman, were frequently ignored.

A clear majority of those who gained access to the microphone appeared to favour a four-year presidential term but a poll of the 724 delegates suggested that about 52 per cent are thought to back a five-year mandate.

Mr Sarney is believed ready to split the PMDB and create a new centre-right alliance, if the party poll goes against him. Some delegates argued that the convention should decline to vote on the issue, leaving it to the constitutional assembly.

Whatever the outcome of the convention, the mandate question will be ultimately resolved when a plenary session of the assembly votes on a final draft of the constitution, possibly not until November.

Senator Fernando Henrique Cardoso, PMDB leader in the Senate, said a five-year mandate was likely to be the outcome of the convention but this could well be reversed later in the year so that a presidential election would be held in 1988.

Sri Lanka may seek to quell conflict via provincial merger

BY MERVYN DE SILVA IN COLOMBO

PRESIDENT Jayawardene of Sri Lanka announced at the weekend that a merger of the country's predominantly Tamil northern and eastern provinces had been recommended by a constitutional commission appointed by the British in 1931.

He said this to the trade union federation that is affiliated to his United Party and is one of the UNP's key organisations. The president also promised a wage rise if the ethnic conflict between Tamils and Sinhalese were settled, — a pledge given the previous day to public servants by Mr Ronnie de Mel, Finance Minister.

Mr Jayawardene's statement was the first public sign that he may be ready to line up with the doves and stake his personal authority by canvassing party support, in a matter that has caused dissension in the Cabinet, as well as among MPs and the party rank and file. On Thursday, 11 ministers were present when the president discussed the merger idea and connected issues with Mr J. N. Dixit, the Indian High Commissioner. Six ministers, including Mr Lalith Athulathmudali, the powerful National Security Minister, have raised serious objections to any north-eastern link.

Mr M. H. Mohamed, Transport Minister, had argued that eastern province Muslims would resent Tamil domination. Others suggested that the question should be taken up only after Prime Minister Premadasa has returned to the island on Friday. He opposes any accord under Indian auspicies.

Mr Jayawardene's point is that the issue of a "single linguistic unit," which meets the Tamil demand of a "homeland" would preserve the island's unitary character, would be put to a referendum in the eastern province within a year of the merger and would require a two-thirds majority in parliament.

The UNP has a secure five-sixths majority but some ministers fear that backbenchers, sensitive to majority Sinhalese electoral opinion, may vote against or stay away. Under the constitution, introduced by Mr Jayawardene, an MP who defies the party whip can lose his or her seat.

S Korea considers dumping charge

By Our Seoul Correspondent

The South Korean Government is considering imposition of an anti-dumping charge on foreign goods for the first time.

Officials are reviewing a complaint, against the Japanese zip maker YKK, from South Korean companies which claim they are being damaged by dumping.

The Ministry of Trade and Industry is reported to be discussing a tariff of 15 to 25 per cent against the Japanese zips. A law against dumping was passed in April last year, but has yet to be invoked.

Meanwhile, South Korean ginseng exporters have complained that Japanese officials are planning to reclassify their products as medicine, rather than health food, thus enabling Tokyo to impose a duty of 20 per cent.

Ginseng, the root of a plant often believed to have strong restorative qualities and to be an aid to long life and stamina, is highly valued in the Far East. South Korean exports are worth $35m a year

South Korea runs a chronic trade deficit with Japan, but exports have been rising in recent months, reflecting the appreciation in the value of the yen, the Bank of Korea reported at the weekend. Exports in the first five months reached $2.79bn—up 52.4 per cent from those of the equivalent period last year.

Imports in January to May increased less rapidly than in the equivalent months last year, rising by 33.8 per cent compared with 44.4 per cent in 1986. South Korea has been trying to diversify its sources of imports away from Japan.

Maggie Ford finds military memories still strong in fight for democracy

Fears of 1980 replay haunt Seoul

"OH DEAR," said the businessman. "It's just like 1980 all over again." Like many South Koreans who remember what happened when the country last hoped that it might attain democracy, he is afraid that events might be replayed, leading to the same kind of military intervention that put President Chun Doo Hwan in power.

President Chun Doo Hwan

The businessman has reason to worry, for on the surface similarities exist to the early months of 1980. And yet, analysts point to a number of key differences which make the outcome far less easy to predict.

One of the most obvious similarities is the inability of Opposition leaders to agree on a unified stance. Two politicians, Mr Kim Dae Jung and Mr Kim Young Sam, dominate the opposition stage, and neither appears interested in giving way to the other so that a single candidate can be fielded in the Presidential election due in December at the latest.

Mr Kim Young Sam, a moderate, leads the Reunification Democratic Party, which he would like his colleague to join. Mr Kim Dae Jung, who has been allowed legally to take part in politics only since his civil rights were restored earlier this month, has put off a decision until next month.

In the meantime, he plans to tour the provinces to consult the people about what he should do. Yesterday he revealed that a promise he made last year not to stand for president was now void, as the circumstances under which he made it were no longer relevant.

Mr Kim Dae Jung, branded as a radical by the Government in earlier days, appears to hold views similar to European social democrats. He has wide support in his home province of Cholla, where an uprising in the capital of Kwangju against the Chun regime resulted in hundreds killed seven years ago.

> The Government has already released hundreds of prisoners

A major concern of middle class people in Seoul is that Mr Kim and his followers will seek to take revenge for their treatment by the military, thus provoking the army into cracking down on democratic change.

Mr Kim has said repeatedly that he does not want revenge, but concern focuses also on his supporters. Som Koreans say that because Mr Kim himself suffered, he is the only man who can persuade victims to forgive, but others remain unconvinced that he is genuine in his commitment to reconciliation.

Mr Kim Young Sam is also bearing the brunt of pressure from victims. Last week his party headquarters was invaded by families of political prisoners, students and workers demanding that the party press the Government for the release of more people jailed for anti-state activities.

Although the Government has already released hundreds of prisoners and given amnesties to thousands, it has stipulated that communists must remain behind bars. Families have complained that individuals have been tortured into confessing that they were communists when they were not, and that they must be released. The issue seems likely to be a continuing thorn in Mr Kim's side.

Along with competition between the Kims, activities by workers trying to form trade unions and by students agitating for change ring alarm bells in South Koreans' memories. But in these two cases, positive signs of self-restraint have been noted.

Although a number of small strikes and sit-ins have taken place, both Government ministries and large companies have said that they will not attempt to obstruct the formation of unions and will negotiate with workers.

Two unions have already been formed at Hyundai, the most well-known South Korean conglomerate, and regarded as possibly the most authoritarian. The Labour Ministry is investigating an incident when employees at a Hyundai shipbuilding subsidiary had registration documents seized by a band of youths.

The Ministry reported yesterday that more than 30 unions have been set up this month in all types of companies, including those that are publicly owned. So far, little violence has been reported in the industrial relations field.

At the universities, students are flocking back from holidays to take extra courses to make up for study lost during demonstrations earlier in the year. College authorities reported queues at libraries and high enrolment at summer schools.

The last major student demonstration took place 10 days ago during the funeral rites for a student killed by a tear gas canister. Riot police later stayed away from a small rally demanding the release of more political prisoners.

Doubt still remains, however, about the ability of the ruling Democratic Justice Party to put into action the proposals of Mr Roh Tae Woo, its leader. Although the resignation of Mr Chun from the presidency of the party was welcomed, last week's Cabinet reshuffle, designed to present a more neutral pre-election team, was widely regarded as inadequate and disappointing.

Protests from journalists, newspaper owners, television staff and a broadcasting station run by the Christian church about the failure to deliver on the promise of freedom of the press have not yet been successful.

Proposals for education reform are moving ahead at universities, however. Independent faculty councils are planned, along with the reinstatement of students expelled for political activities.

A major test of the Government's sincerity in pushing towards democracy will come later this month when negotiations start on revising the constitution before the elections, and on agreeing a political timetable. Both parties are now finalising their draft proposals, which appear to disagree on a number of major issues.

The ability of ruling and opposition leaders to rise above factional infighting in the interests of genuine change will indicate to the public whether or not the similarities to 1980 are bigger than the differences.

If the similarities look too strong people may feel that a return to last month's demonstrations is necessary—to guide the politicians along the path to democracy.

Threat by Marcos to sue Aquino

MR FERDINAND MARCOS, the former Philippines president, has threatened to sue the Philippines Government for $15bn over charges that he stole a fortune from the country during his 20-year rule, Reuter reports from Manila.

In a telex from exile in Hawaii to his publicists in Manila he said President Corazon Aquino's Government was seeking to convict him on corruption charges by publicity and not by public trial.

He said a proposal to restrict him to a beach resort during any trial in the Philippines amounted to cruelty and denied his equal protection of the law.

"I can smell the repugnant propaganda ploy and the conspiracy of conviction by publicity," Mr Marcos said of the idea to keep him at the Mariveles resort near Manila.

The Presidential Commission on Good Government last week filed two civil suits in Manila accusing Mr Marcos, his family and business associates of amassing $10bn during his presidency. It also plans to file criminal charges.

Mr Ramon Diaz, Commission chairman, suggested trying Mr Marcos at Corregidor, an island popularly called "the rock" at the mouth of Manila Bay, and holding him between sessions at Mariveles.

Spanish fishing off Morocco likely to go on

By Francis Ghilès

MOROCCO has indicated to the European Community that it will continue to allow 700 Spanish trawlers access to Moroccan waters.

The agreement on fishing, signed between Spain and Morocco in 1983, will expire on July 31 and a new agreement between the EC and Morocco is unlikely before then.

Under the terms of Spain's entry to the EC, bilateral fishing pacts between Madrid and countries outside the Community have to be renegotiated by the European Commission.

One of the factors that is delaying signature of a new agreement is Morocco's unhappiness about the changes that the EC is offering to introduce in the Co-operation Agreement signed between the two parties in 1976.

In particular, Morocco is seeking better access to the EC for its fruit and citrus.

At a banquet in his honour during his state visit to London last week, King Hassan of Morocco renewed his request to the EC to "give its consent to our adherence, which can be justified both politically and economically." He added that he hoped the UK would support this request.

The reaction in Whitehall is best described as "politely sceptical."

Conable pledges aid for Ivory Coast's economy

BY PETER BLACKBURN IN ABIDJAN

MR BARBER CONABLE, World Bank president, who has praised Ghana for efforts to revive its economy, is likely to show more reservations about the performance of neighbouring Ivory Coast, where he started a three-day visit on Saturday.

The Ivory Coast recently suspended debt payments following a financial crisis caused by a collapse in cocoa and coffee export earnings.

Speaking after his arrival in Ivory Coast's capital, Yamoussoukro, Mr Conable said: "It is clear that the Ivory Coast has encountered a crisis due to external factors. The World Bank will concert closely with the Ivorian Government to aid it to overcome the crisis and bring economic recovery."

Mr Conable is on his first West African tour since becoming World Bank president last year. He will spend two days in Yamoussouko where he is the guest of President Houphouet Boigny.

Whereas Ghana, whose main export is also cocoa, expects growth of more than 5 per cent in 1987 for the fourth successive year, a 1 per cent decline in real gross domestic products is forecast in the Ivory Coast.

Both countries have been implementing World Bank adjustment programmes for the past four years but with contrasting results.

Speaking after a meeting in Kumasi with Flt-Lt Jeremy Rawlings, the Ghanaian leader, Mr Conable said that the country's high growth rate was a "great pride" to Ghana and "has given meaning to the World Bank's work in this nation."

The World Bank is Ivory Coast's main aid donor with loans of more than $1.8bn for some 60 projects.

Mr Conable is due to have talks with Mr Babacar N'Diaye, the president of the African Development Bank, on Monday on increased co-financing of adjustment programmes. Mr Conable leaves Abidjan tomorrow for Mauritania on the last leg of his tour.

SHIPPING REPORT

Rate levels rising in Gulf on fresh business

BY KEVIN BROWN

ATTENTION IN the tanker market continued to focus on the Middle East Gulf, where rate levels rose again towards the end of the week, as the volume of fresh business increased.

Galbraith's, the London brokers, said about 25 very large and ultra-large crude carriers (more than 200,000 dwt) had been fixed in the Gulf, mostly towards the end of the week.

Brokers noted that many ships were being fixed for Western discharge, excluding Red Sea options, which would keep them away from the Gulf for a couple of months.

Available tonnage was said to be becoming scarce as a result. Only eight to 10 vessels were thought to be available for July loading, with only about a dozen more available for the first week of August. This could lead to a substantial rise in rates next week.

Elsewhere, demand was said to be improving in West Africa and the Mediterranean, but the product carrier market was described as "sluggish."

E. A. Gibson reported that the improved rates of the past month have led to a fall in the number of ships of more than 200,000 dwt in lay-up from 54 to 42. This reduces the total tonnage laid up from 20.9m dwt to 17.2m dwt.

In the dry cargo markets, rates were stable, but brokers said there was a growing mood of confidence among shipowners that the expected autumn upturn was not far away.

WORLD ECONOMIC INDICATORS
TRADE STATISTICS

		May 87	Apr. 87	Mar. 87	May 86
US $bn	exports	20.425	20.141	21.064	18.270
	imports	34.822	33.459	34.694	31.395
	balance	−14.397	−13.318	−13.630	−13.125
Japan US$bn	exports	18.576	19.505	19.335	17.917
	Imports	12.167	11.953	11.235	10.384
	Balance	+6.409	+7.552	+8.100	+7.533
		Apr. 87	Mar. 87	Feb. 87	Apr. 86
UK £bn	exports	6.572	6.429	6.973	6.049
	imports	7.076	6.846	7.174	6.303
	balance	−0.504	−0.417	−0.201	−0.225
W. Germany DMbn	exports	43.42	42.73	43.65	45.81
	imports	33.77	33.91	32.44	36.04
	balance	+9.65	+8.82	+11.21	+9.77
France FFrbn	exports	75.08	73.81	74.26	75.05
	imports	71.51	70.53	73.82	71.51
	balance	+3.57	+3.28	+0.44	+3.54

UK NEWS

Air merger groups to speak on competition

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

LIMITED SAFEGUARDS to preserve competition from other UK airlines on some international air routes are expected to be a surprise feature of the submission by British Airways and British Caledonian to Sir Gordon Borrie, director-general of the Office of Fair Trading, in support of their proposed merger.

The lengthy submission, which is being made today, will put a strong case against any referral of the proposed merger to the UK Monopolies Commission, despite demands for such a referral from politicians and other independent airlines.

The submission is a major study in its own right of what is happening in the world and UK air transport industries, and deals extensively with the situation that has arisen to make BA and BCal believe their merger to be desirable.

The two airlines will claim that because they operate from different airports, Heathrow and Gatwick, they have different networks, and that the impact on other UK airlines will be less than currently feared. They will argue that most of the competition, in any case, already comes from foreign airlines.

BA and BCal will argue that even when merged they will still have less than a 50 per cent market share on many international routes, and that many UK air travellers who use charter flights will not be affected anyway.

Nevertheless the submission will recognise that on some international routes it may still be possible for competition from other UK airlines to be achieved, where traffic growth is sufficient to justify it.

In such cases, the merger airlines would agree not to oppose any applications from other UK operators if they sought licences to fly alongside the BA/BCal combine.

Although such routes are not identified they might include, for example, those from the UK to Amsterdam, where an existing liberalisation agreement permits additional airlines to fly without restrictions.

Other major routes in Western Europe, such as UK-Paris or UK-Frankfurt, which are already among the busiest in the world, might also be included. In the latter cases however, the attitudes of the French and German governments would be critical.

It has proved difficult enough in recent years for Britain to persuade other governments to allow even one additional UK airline onto a route already flown by either BA or BCal. It might prove impossible to gain rights for another UK operator alongside the merged airline, for that would give the UK as a whole a dominant share of the route, to the detriment of the foreign airline involved.

But the submission makes it clear that BA and BCal will both fight to retain all the licences they already have, and will object to attempts already being made by other independents to have those licences revoked.

Retaining all the existing licences is regarded as one of the main justifications for the merger, by increasing the overall strength of the combined airline, particularly on routes where foreign competition is strong.

Also, the submission will stress that speed in achieving the merger is vital and that any delay would adversely affect the commercial operations of BCal.

THE GOVERNMENT'S desire to avoid a ballot for shares in BAA, formerly the British Airports Authority, has led to large numbers of applicants being rejected and the rest receiving smaller allocations than in any recent privatisation issue.

Some 2.47m applicants applied for a total of 2.1bn shares in the fixed price offer for sale, just over 8 times the 260m shares available to the public and employees. **Page 22**

Ministers ready for tough talks with Treasury over spending

BY PETER RIDDELL AND PHILIP STEPHENS

THE CABINET is expected on Thursday to reaffirm the existing public spending target of £154bn for next year. However, this will merely mark the start of lengthy negotiations between the Treasury and spending ministers over particular programmes.

The signs in parliamentary and government circles are that the annual spending round is following the familiar pattern: spending ministers have put in bids for around £6bn over and above existing plans for their departments while the Treasury is seeking Cabinet approval to hold the total as near as possible to the previously projected levels for 1988-89.

Ministers say that the largest bids are for additional spending on education (partly on teachers' pay), urban development corporations, social security, the health service, and local authorities. The Ministry of Defence is also thought to have rejected Treasury demands for a 3 per cent cut in the volume of its spending.

Some indication of the scale of the likely overshoot in local government spending should come later this week with the announcement of the proposed rate support grant for next year. Officials say the projected overrun is less than at the same time last year but is still substantial.

A new twist this year is the appointment last month of Mr John Major as Chief Secretary to the Treasury. After rapid promotion he is seen as being keen to establish himself politically by showing that he is tough in negotiations.

Spending ministers, particularly those in what Mrs Margaret Thatcher, the Prime Minister, has herself described as the priority areas of housing and education, argue that some additional spending is necessary to back up election promises.

Large pay rises not only for the teachers but also for nurses, lecturers and the police will have to be paid for.

NUM backs away from major strike-call

By Charles Leadbeater, Labour Staff

THE NATIONAL Union of Mineworkers (NUM) yesterday backed away from embarking on a major dispute in the Yorkshire coalfield in northern England, although 900 miners at Frickley colliery, near Pontefract, voted to continue their strike over a revised disciplinary code introduced by British Coal.

However, miners' leaders warned that the industry would become bogged down in a costly war of attrition unless British Coal, within the next few weeks, gives a clear signal that it is prepared to enter national negotiations over the code and its attempt to introduce more flexible working practices.

NUM branches at collieries throughout the coalfield yesterday backed the Yorkshire NUM executive's call to return to work, issued on Saturday.

The dispute began last Tuesday when Frickley went on strike over the suspension of five miners who refused to attend a disciplinary interview after they allegedly left work early prior to their holiday. The Frickley miners picketed the 13,000 miners at other pits in the coalfield in the following two days.

Miners' leaders called the return to work because they believed British Coal was prepared for a test of strength over the code, while it would have been very difficult for the union to win a major dispute. Coal stocks are high and with annual pit holidays approaching many miners would have come under financial pressure to return to work to pick up their bonuses.

A substantial majority on the union's national executive want to use a forthcoming national industrial action ballot to pressurise the British Coal into national negotiations over the code and the corporation's controversial plans to introduce more flexible working practices. Voting will start this week and will end in August.

Many fear that unless national negotiations get underway within the next couple of months the pits will suffer a lengthy period of trench warfare.

Liffe board to meet on possible merger with London SE

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE BOARD of the London International Financial Futures Exchange (Liffe) will today examine ways of creating a single financial futures and options exchange in London, including a merger with the Stock Exchange.

Liffe is still canvassing the views of its leading members, so no decision will be taken yet. A special board meeting is, however, expected to be convened before the next scheduled meeting in September.

There is a common view that a single marketplace should be formed, incorporating Liffe's futures and options business and the traded options market of the Stock Exchange.

This would eliminate what is seen as futile competition between trading on the two exchanges in options on UK government bonds, a UK equity index and currencies.

It would also mean substantial cost savings for securities firms, many of which trade options on both exchanges and consequently have to meet two sets of membership costs as well as separate margin payments to back their options positions in each market.

There is as yet no common opinion, however, on how such an exchange should be formed.

A strong view has developed at the Stock Exchange that the only viable solution is for Liffe to be absorbed into the Stock Exchange, creating a derivative products market which would retain a good deal of independence.

The argument is that, although this would eliminate competition within London, it would enable London as a whole to compete far more effectively with other centres not only in the US but also in Europe, where a number of new futures and options markets are starting up.

It is argued that trading in securities such as gilts and equities is so closely linked with futures and options trading that members would benefit from the reduced transaction, clearing, administrative, systems and regulatory costs resulting from having a single market authority.

The attitude of the Liffe board to a merger is not known, but it is expected to be concerned about losing the strong identity which it has built up internationally during its nearly five-year life.

Moreover, its contracts include many which are unrelated to Stock Exchange business, including short-term sterling and dollar interest rates as well as US and Japanese government bonds. Others, including a Eurobond futures contract, are planned.

Liffe would also be worried that it might lose flexibility to develop new products and forge links with other exchanges. The Stock Exchange is feared to be a large bureaucracy – a perception which Stock Exchange officials are anxious to dispel.

A merger would also be technically problematic because of Liffe's seat membership structure. The Stock Exchange view is that this could easily be solved by giving seat-holders trading permits which would carry the same value as a Liffe seat.

TUC urged to act on union image problem

BY DAVID BRINDLE, LABOUR CORRESPONDENT

DELEGATES to the Trades Union Congress annual meeting in September will be urged to commit the organisation to an ambitious and costly initiative, using outside expertise and the most modern techniques, to promote the image of "traditional" trade unionism.

The plan is being put forward by the National Union of Public Employees (Nupe), an influential union with left-wing leaders, and emphasises the seriousness with which the unions are addressing the problems of declining membership and waning influence under the re-elected Conservative Government.

Disclosure of the Nupe proposals coincides with further warnings by Mr Norman Willis, TUC general secretary, that the unions have no option but to respond aggressively and imaginatively to the problems facing them.

Private pension schemes 'benefit younger workers'

BY ERIC SHORT

YOUNGER employees can expect to do far better in their early years by coming out of their employer's company scheme and taking a personal pension.

That conclusion comes not from a life company eager to secure a significant stake in the new personal pensions market but from Bacon and Woodrow, a leading firm of consultant actuaries, whose clients are the company pension schemes.

Under the 1986 Social Security Act, employees will be able to opt out of their company pension scheme and/or the State Earnings-Related Pension Scheme (Serps) from next year and make their own arrangements through a personal pension from a life company, bank, building society or unit trust.

The Government has said the main intent of its legislation was to enable employees not in company schemes to make private arrangements. Life assurance salesmen are expected to offer personal pensions to employees in company schemes as well, however.

To counter that, the National Association of Pension Funds has launched a campaign using the slogan: "Can you beat a pension that comes with your job?"

Yet Bacon and Woodrow, in a seminar to clients last week, showed that younger employees can expect to beat company pensions in their early years—a surprising move since the firm is active within the association.

Personal pensions operate under the money purchase principle whereby the contributions are invested and the accumulated cash sum used to buy a pension.

Life company salesmen, in promoting personal pensions, have to follow strict guidelines laid down by the Securities and Investments Board (SIB) when illustrating the benefits of a personal pension.

Estimates of the cash sum have to be given on two investment assumptions: that the investment return will be 0.5 per cent and 2.5 per cent above salary increases — very conservative assumptions in current conditions.

Mr Bryn Davies, a research partner with Bacon and Woodrow, first showed clients that if employees stayed with company schemes they would, on the SIB assumptions, do better than relying solely on a personal pension where they paid the same contributions.

That difference is because the employer makes substantial contributions not made on a personal pension. That is the line taken by pension managers defending their company schemes.

Mr Davies went on to tell delegates, however, that it was an unrealistic scenario. He said the final salary company pension is built up on a year-by-year basis — each year securing the same amount of pension for a given salary level irrespective of the underlying investment performance.

If the personal pension return is broken down on a year-by-year basis, the early years secure a higher pension than in the later years.

On the 0.5 per cent assumption, the company pension is higher all through the working life of an employee. Yet on the 2.5 per cent assumption, the pension secured in the early years of an employee's working life is higher on a personal pension compared with the company's scheme but lower in the later years, so the overall pension from the company scheme is higher.

Therefore, an employee who took out a personal pension in the early working years and switched later to the company scheme would get the best of both worlds.

Companies could defend their schemes against that by refusing entry to their schemes to an employee who had opted out or refused to join, although Mr Davies doubted whether they could do so for long. He pointed out that employees could arrange to join a company scheme when they changed jobs.

Bacon and Woodrow has not joined the ranks of the personal pension providers. Its aim was to explain the situation as it existed and to highlight the need for a review of the company scheme benefit structure so that it could match the benefits of personal pensions.

Woolworths ends the wait for excellence

By Alice Rawsthorn

For anyone who has ever waited — and waited — in a Woolworths store for the sales assistants to stop wrestling with their chewing gum or to wrench themselves away from animated talk about their love lives: help is at hand.

Woolworths is embarkeing upon a "proficiency" scheme —dubbed the Excellence Programme — devised to raise morale among sales assistants and to improve the standrad of service in its stores. In the next eight months all 33,000 sales assistants in the group will tear themselves away from their chewing gum and love lives to go through it.

Woolworths is disarmingly frank about the reasons for the programme. The company says the standard of service in the stores has become "a music-hall joke". Thus the group decided to take a cue from corporate culture vultures such as McDonalds, the fast-food group, in brushing up its customer service.

The programme began last Wednesday, dubbed "E Day" by Woolworths. It consists of 10 phases — each relating to a letter in the word excellence —structured as a step-by-step proficiency test.

The letter E denotes "induction" which, in Woolworths' words, "involves welcoming new recruits and demonstrating that working for Woolworths is fun." Letter X stands for the "feelings programme" which promises to "make staff feel good about themselves" and "to behave positively towards customers and colleagues." Letter C represents "till skills," E "secondary selling" and so on.

Woolworths promises "excellence" badges and unspecified cash rewards for successful sales assistants.

But, for all the hullabaloo emananting from head office, some Woolworths' employees seem unaware of the excellence programme. "Never heard of it," said one assistant in a north London store. "You what?" scoffed another . . . between chomps of chewing gum.

Philip Stephens on the boom in the Government's revenue that seems set to continue

Lawson and the unbeatable combination

LOWER TAXES, lower borrowing and higher public spending was the unbeatable combination that Mr Nigel Lawson, the Chancellor, offered the electorate this year. The signs are that he may be able to do it again next year.

The key to the pre-election giveaway was an almost unprecedented surge in the Government's tax revenue. Extra receipts from corporation tax, from value-added tax and from stamp duties added billions of pounds to the Exchequer's coffers, comfortably offsetting a fall in North Sea oil revenue.

Last week's official figures for the public-sector borrowing requirement during the first quarter of the present 1987-88 financial year suggest that the boom in revenue is continuing.

As a result, City economists are predicting that the PSBR for the whole year may eventually turn out to be only half, or less, of the Treasury's £4bn target.

There are too many uncertainties this early in the financial year to make firm predictions on the extent to which revenue may again overshoot the official projections. The final figure will depend on a whole range of factors — from the oil price to the composition of consumer spending — which may still be subject to unexpected shocks.

What is clear is that since the Treasury's Budget forecast of a £7½bn rise in revenue to just under £169bn in 1987-88, all the indications have pointed to a higher out-turn.

Mr Lawson: lower taxes, lower borrowing, higher public spending.

Most obviously, the economy had been growing faster than expected in March — at 3½ to 4 per cent rather than 3 per cent.

That has kept average earnings buoyant — the annual growth rate has edged up to 7¾ per cent against the 6½ per cent assumed by the Treasury —and is expected to contribute to further gains in employment. Both trends will feed through into higher income tax and national insurance contributions.

Because of the Budget tax cuts, the Treasury forecast that income tax receipts would rise by just 4 per cent or £1.6bn in 1987-88. But its March estimate of last year's income tax revenue has already been revised upwards by £250m, and on current trends the increase this year is likely to be more than £2bn.

Recepits from the North Sea are also on track to exceed the official projection of £3.9bn. That forecast was based on the assumption that oil prices would average $15 (£9) a barrel. The price now is $20 a barrel.

Even if the price falls later in the year, an average of $18 a barrel would add about £1bn to the Treasury's revenue, with perhaps only £300m of that eroded by the rise in sterling's value against the dollar.

A key element in last year's tax windfall was the strength of corporation tax receipts, which jumped from £10.7bn the previous year to £13.4bn in 1986-87. For this year the Treasury has pencilled in a forecast of £15bn.

The surge in industry's tax payments reflects both a consistently strong rise in corporate profits and the Government's decision in 1984 to phase out capital allowances. Companies are making large profits without the traditional credits to limit their tax liability.

Most corporation tax due in 1987-88 will not be paid until the last three months of the financial year, making it especielly difficult to forecast precisely. But the payments will be based on profits earned in 1986. In March the Treasury estimated the profits of non-North Sea companies at £45.3bn in 1986, but that figure has subsequently been raised to £47.3bn, suggesting that tax receipts will be higher than forecast.

Revenue from VAT also appear buoyant, with Customs and Excise reporting that between April and June its receipts were 10 per cent higher than a year earlier in spite of a freeze on excise duties.

The combination of rising incomes and relatively low inflation is being reflected in a continuing surge in consumer spending, which pushes up VAT revenue. In parallel, as incomes rise, the Exchequer is benefiting from a continuing shift in the composition of retail spending towards the durable goods which attract most VAT.

Overshoots on these main sources of revenue may be supplemented by additional receipts from other taxes. The continuing surge in stock market turnover and in house prices, for example, is likely to boost stamp duty revenue substantially.

Finally the Treasury looks almost certain to exced its £5bn target for privatisation receipts, perhaps by up to £1¾bn. Those receipts are classified by the Treasury as negative public spending rather than as revenue, but the impact on the Government's overall finances remains the same.

The total revenue overshoot, which could run into several billion pounds, will automatically raise the tax base for 1988-1989, giving Mr Lawson much greater scope than expected to cut taxes, raise spending or lower his borrowing target.

It is already clear, however, that the division of this "embarrassment of riches" will be the subject of intense wrangling within the Government.

While other Whitehall departments wil use it as an argument for a substantial easing of public spending limits, the Treasury is already staking its claim for a further cut in the target for the PSBR.

Treasury officials believe that much of the tax windfall will represent a "one-off" gain for the Exchequer, reflecting the cyclical buoyancy of the economy and the overshoot in privatisation receipts. On that basis the Government should save rather than spend it.

Mr Lawson meanwhile would also like to fullfil his election pledge to cut the basic rate of tax to 25p and perhaps to reduce the top rates.

Share service picks FT index

BY ERIC SHORT

COMBINED ACTUARIAL Performance Services, Britain's second largest investment performance measurement company, will, from the beginning of next year, be using the Financial Times-Actuaries World Indices as the representative index for the various overseas assets.

It will replace the Morgan Stanley Capital International World Index, used at present by Combined Actuarial Performance Services in its various analyses, which will be phased out.

Mr John Clamp, chief executive of Combined Actuarial Performance, said the FT-Actuaries World Indices fitted in with his requirements. It had a wide coverage of countries, and within each country, a wide range of stocks that were available to investors outside that country. Above all, the values of the indices were readily available daily—a requirement for the work of Combined Actuarial Performance Services.

The indices have been published in the Financial Times only since March, but values are available from the beginning of 1986. CAPS will be using the Capital International index values up to end-1985 and FT-Actuaries values thereafter in its comparative analysis.

WM Company, the UK's largest investment performance measurement firm, is also very positive towards using the FT-Actuaries World Indices in its operations. It considers the index to be superior to anything else available.

However, although the company is represented on the World Index Policy Committee, it is still considering how and when to introduce the indices into its operations without disrupting the administration or confusing clients in the presentation.

For many comparative purposes, WM Company uses the average return on all its clients' portfolios rather than stock market indices.

Barristers reject Borrie's proposal for partnerships

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

BARRISTERS OPPOSE a suggestion that that they should be able to go into partnership with each other or with other professionals.

Such arrangements would be against the public interest and contrary to the proper administration of justice, the Bar of England and Wales says.

In reseponse to a suggestion made to the Marre Committee on the future of the legal profession by Sir Gordon Borrie, Director General of Fair Trading, the Bar said partnerships would reduce the choices available to the public because partners would not be able to appear against each other in cases.

They would also restrict clients' ability to secure the barrister of their choice because partnerships would be likely to retain and distribute work among themselves to suit their needs.

Rejecting Sir Gordon's claim that partnerships would make it easier for newly-qualified barristers to become established, the Bar said the profession's size was limited by space and available work, not by an unwillingness to offer places in chambers to suitable people.

It also opposed Sir Gordon's proposal of corporate practice for barristers.

Oil companies consider rise in petrol prices

BY LUCY KELLAWAY

OIL COMPANIES are considering *increasing the price of* petrol after the latest rise in crude oil prices, which last week reached their highest levels since January last year.

With North Sea crude oil trading on Friday at $20.60 a barrel, a rise of $2 since last month, oil companies have started to complain that the margin on selling petrol has been almost eliminated.

Mr Alan Britten, marketing director of *Mobil, said a rise in* the price, perhaps as soon as this week, was "almost inevitable" to keep pump prices in *line* with the *spot* price of petrol on the Rotterdam market.

Mobil indicated that at a rise of at least 5p a gallon to about *180p would be needed to* restore dealer margins to a minimum acceptable level of about 8p a gallon.

However, other oil companies said they had no immediate plans to increase prices from the present level of 175.5p a *gallon*.

Any industry move to raise petrol prices over the next week would meet a more than *usually* hostile response from motorists. Because the rise in spot crude oil prices above the official Opec selling price of $18 a barrel is regarded by many as a temporary reaction to an escalation of the war in the Gulf, an early increase in petrol prices would be regarded as *opportunist*.

Furthermore, because higher crude prices take about a month to flow through to higher product prices, an early rise in prices might be considered premature.

Petrol prices have held fairly steady since the last rise *to 175.5p in January, which* adjusted retail prices to compensate for the increase in oil prices to $18 a barrel. Although *in some parts of the country* competition between sites has pushed prices down to below 170p a gallon, there was evidence last week that higher crude prices were already reducing the scope for retail discounting.

Lex seeks car sales arm in US

BY JOHN GRIFFITHS

LEX SERVICE, one of the UK's largest vehicle distribution groups, is considering entering the US retail car market.

It has set up Lex North America Automotive in San Francisco to look at the prospects of buying an existing multi-franchise "megadealer" chain and to assess any difficulties in the US that might affect publicly owned groups seeking to operate franchised vehicle dealerships.

Lex said at the weekend that the investigation was at an early stage, but that the group was "very much in earnest." No specific negotiations were going on, but the company hoped to have identified prospects and reached a decision before the end of this year.

The US retail car market — the world's largest with record sales of 11.46m new cars last year — is virtually unexplored territory to UK motor distribution or retailing groups.

British Car Auctions was successful in establishing an auction house chain, mainly through *acquisition*. But Currie Motors, a London-based and privately owned vehicle retailing subsidiary of Curfin Investments, is understood to be the only other sizeable UK organisation to own any US dealerships.

Lex hopes to acquire an organisation with sales of up to $150m a year and build to a $500m-plus turnover, making it among the largest dealer organisations in the US.

Still to be established, however, is whether under the *tight franchise agreements with* vehicle manufacturers that exist in the US, a "megadealer" wishing to sell out to Lex would be *entitled to sell its dealer*ships—either en bloc or by renegotiating each franchise with the manufacturer.

In contrast to the UK, where most leading car retailers are large public groups, there are as yet no publicly owned dealer groups in the US, although *there is speculation* that some "megadealers" might soon seek listings.

Up to now dealers have been reluctant to do so, mainly because of fears of adverse reactions by suppliers anxious not to see the balance of power *with their dealer outlets* upset.

Lex is already active in the US in electronic components distribution, but not in the automotive field.

In the UK, until early this year, it sold Volvo, Rover, Jaguar and Rolls-Royce cars and Leyland and ERF trucks.

However, in April it acquired the Sears Motor Groups, thus adding Ford, Vauxhall, Audi, Volkswagen and Bedford to its franchises.

The acquisition increased the automotive group's dealer network to 64, employing 4,600 people with a turnover of more than £530m.

Taxable profit for BMW (GB) falls

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE UK subsidiary of BMW, the West German high-performance car producer, suffered a 41.5 per cent drop in taxable profit last year compared with 1985 mainly because of a £12.35m currency exchange loss.

The company will pay no dividend to its parent for 1986 whereas one of £12m was paid for the previous year.

However, by the end of 1986, BMW (GB) had increased the interest-bearing loan to its West German parent from just under £14m to £17.46m.

Turnover *of BMW (GB)* increased by 10.8 per cent from £345.6m in 1985 to £383m last year. Pre-tax profit dropped *from £18m to £10.55m while* the fall at the net level was one of nearly 64 per cent, from £10.87m to £3.94m.

Against the currency exchange loss for 1986, the company had a gain of £4.85m in 1985. During 1986 the value of the pound fell steeply—by *about 30* per cent—against the D-Mark.

At the year-end BMW (GB) had forward exchange purchase *contracts amounting to* DM 300m (£100m) compared with DM 500m at the end of 1985.

Water plan opposition centres on bureaucracy

By Richard Evans

THE GOVERNMENT faces widespread opposition from the water industry to privatisation proposals outlined in a green *paper last week. In no other* privatisation exercise has there been such hostility and suspicion from management and staff.

The primary cause for concern is the Government's proposal to set up a National Rivers Authority, a state-controlled quango, to take over the regulatory functions of water authorities in England and Wales.

The water authorities believe that would destroy the much-praised system of integrated river basin management, *introduce a large bureaucracy and* make the industry less attractive to the private investor.

Discussions on the green paper proposals have to be completed by October 15—a ludicrously short time, according to the industry—and the key question will be how meaningful negotiations are.

The Water Authorities Association believes that considerable scope remains for modification and for the integrated river basin system to be retained, but that the signs are *not hopeful*.

Ministers who had to withdraw *their original* privatisation proposals a year ago because of fierce opposition from the CBI and environmental groups, believe the NRA solution is the only viable one. They see no alternative to introducing a larger element of state regulation *to avoid* permitting the privatised water authorities to police their own pollution.

The WAA, which represents all 10 authorities, accepts that there must be a balance between effective private enterprise and reasonable public regulation.

It says: "But cost-effective management of water will not be achieved if operational management responsibilities are divided between different bodies, or if an NRA is a large bureaucracy with direct water management responsibilities."

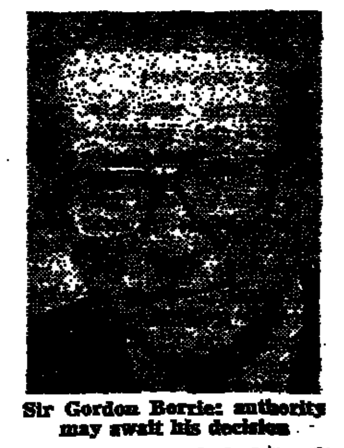
There is concern that the number of regulators involved and the plethora of controls might result in a more constricted regime. The WAA says: "That would be unattractive to prospective investors and would militate against one of the principal benefits resulting from all previous privatisations, namely greater freedom to manage *effectively*."

The most outspoken critic of the Government's proposals is Mr Roy Watts, chairman of *Thames, the largest and most* profitable of the authorities. Most of the other chairmen privately accept his anxieties.

Michael Donne reports on a move by the independent airlines

BA-BCal opponents find a battleground

WHILE Sir Gordon Borrie, the Director General of Fair Trading, is deciding whether to recommend referral of the proposed British Airways-British Caledonian merger to the Monopolies Commission, the merger's success might be settled elsewhere.



Sir Gordon Borrie: authority may await his decision

Opponents of the merger *have found another battleground* —the public licensing hearings of the Civil Aviation Authority.

Air Europe, the independent airline owned by Mr Harry Goodman's International Leisure Group and a bitter rival of British Caledonian, is to seek revocation of all BCal's short-haul European international and UK domestic route licences.

Route licences, although the lifeblood of any airline, are not *tangible, transferable* assets. They are simply licences, ownership of which is vested in the state.

The are *granted to airlines* by the Government through the CAA, a regulatory agency, for a fixed period of years. They are returnable to the authority on expiry, unless officially renewed, and no UK airline, including BA, is an exception to the rule.

The authority can repossess any licence if it believes the holder is unable or unfit to *implement it*—for example, through bankruptcy (as in the Laker case), or other financial, *managerial or technical "unfitness,"* of which the authority is sole arbiter.

Even after it has been *acquired* by BA and either integrated or retained as a wholly-owned subsidiary, BCal will still be able to use its licences as long as *it is* authorised to do so by the authority.

That does not prevent other airlines seeking to have those licences revoked, however. Any airline may, at any time, seek such revocation but it must have good reasons—again, they would usually be lack of fitness or financial standing.

The authority is obliged to hear such bids in public, to invite the holder to respond, to ask other interested parties *to* make any submissions and to adjudicate accordingly.

That will certainly happen with *Air Europe's bid* to have BCal's short-haul licence revoked.

Another independent airline, Virgin Atlantic, is seeking similar revocation of BCal's long-haul licences (such as for routes to Hong Kong, Atlanta, Houston and Los Angeles), and their allocation to Virgin.

Air Europe's case is that the European and UK domestic licences were originally sought by and awarded to BCal *to* enable it to compete with BA and that the planned merger would remove the reason for BCal *being* on these routes.

Air Europe will also claim that competition can be better served by reallocating the licences to itself, or even to other independents.

Those arguments vary in strength and substance. On those European routes where BCal is the sole UK flag airline, such as Genoa and Tunis, there seems to be no justification for taking the licences away.

However, where there is substantial duplication with BA—for example, on Amsterdam, Brussels, *Paris, Geneva* and Frankfurt routes — a case can be made for rescinding the licences.

Although BCal flies the latter routes out of Gatwick, and can thus claim to be supplementing BA's services to the same destinations from Heathrow, Air Europe can argue that such duplication is unfair and prevents other airlines serving those destinations.

The public hearings into the BCal licences—probably within a few weeks—might thus provide the first public forum for debate on the proposed BA-BCal merger.

The authority's views have yet to be made public, but in addition to its statutory duty to hear the Air Europe applications, it must also pay regard, for practical reasons, to the Government's wishes.

After holding the public hearings, it might think it wise to postpone a decision until it knows whether or not Sir Gordon Borrie *is recommend*ing a referral to the Monopolies Commission and to wait for the Government's response.

On the other hand, it would then face the considerable wrath of Air Europe and the other independents, who could claim that every day's delay further thwarted not only their own plans, but also the Government's original *policy* objective of encouraging greater competition.

CBI/FT DISTRIBUTIVE TRADE SURVEY

BY RALPH ATKINS

High street sales expected to rise in July

HIGH STREET sales in June *were not as strong as retailers* expected but the hope is that good weather and tourists will help trade in July.

The *latest Confederation of* British Industry / Financial Times survey of distributive trades shows that 61 per cent *of the 281 retailers questioned* increased sales in June compared with the same month last year and 18 per cent reported a fall.

Retail sales figures for the past few months have been erratic but relatively flat after *strong growth at the end of* 1986. In May, official figures showed a drop of 3.5 per cent.

The pattern is explained *partly by bad weather, but it* has baffled many economists because personal earnings are rising strongly and tax cuts *announced in the budget* are still having an effect.

There is optimism, however, that next month's survey will *see some vigour returning*.

"Britain's retailers expect sales to strengthen again in July in contrast to June when *traders suffered from the cold* and wet conditions," said Mr Nigel Whittaker, chairman of the survey panel.

The survey shows that 62 per cent of retailers thought their sales in July would be higher than July 1986, and 9 per cent *thought* sales would be lower. Shops selling shoes, DIY goods, hardware and china were most positive.

However, since February the survey has consistently shown retailers' expectations for sales frustrated.

In May the balance of retailers expecting an increase in sales in June compared with June 1986, minus those expecting a fall, was plus 58 per cent. The balance reporting an increase fell from plus 49 per cent in May to plus 43 per cent in June.

This month the survey shows that 31 per cent of retailers thought sales in June were good for the time of year and 24 per cent thought they were poor.

Orders placed in June were slightly lower than expected. A balance of plus 35 per cent *expect an increase in orders* in July compared with plus 34 per cent reporting an increase in June.

For wholesalers the volume of sales in June compared with a year before was much better than expected. A balance of plus 58 per cent in May.

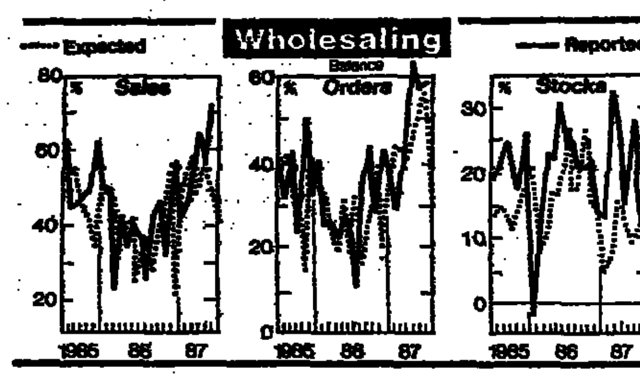
However, wholesalers are not so optimistic about July, with a balance of plus 41 per cent *expecting an increase in sales*, the lowest since December.

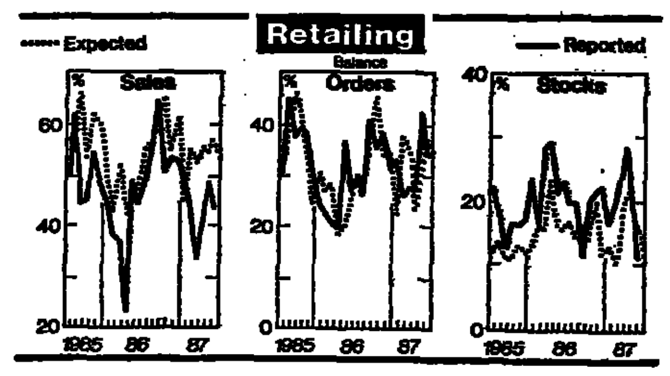
Wholesalers of food, drink and durable household goods were most optimistic. Agricultural machinery dealers again *expect* trade to remain below last year's levels.

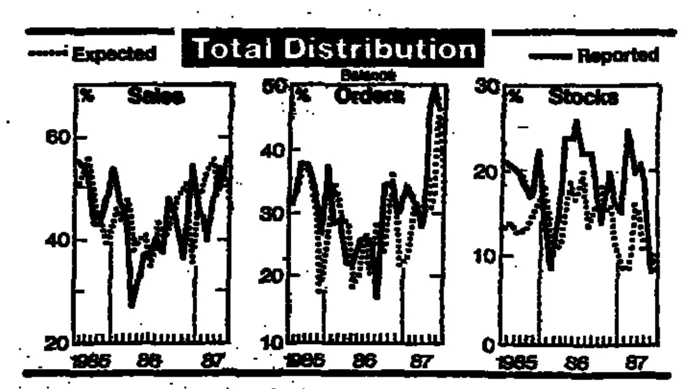
Of the 189 wholesalers questioned, 53 per cent thought sales in June were good for the time of year and 12 per cent said they were poor.

The volume of orders placed in June by wholesalers was also better than expected, with a balance of plus 59 per cent reporting an increase compared with a balance of plus 58 per cent in May. A balance of plus 30 per cent expect an increase in July.

Among motor traders a balancee of plus 29 reported an increase in sales in June compared with *the same month* a year before. That was slightly below expectations.







Consumer spending rise expected in second half

BY ALICE RAWSTHORN

CONSUMER SPENDING will accelerate in the second half of this year compensating for the modest growth of the first half, but should slow down next year, reflecting the steadier pace of the economy, according to a study published today.

Given that the current economic climate favours a surge in expenditure, the study by Staniland Hall, the economic forecasters, expects growth of 4.5 per cent (in constant prices) in the second half over the same period last year

Thus second-half expenditure should be 3.6 per cent higher than in the first. In the first half of the year, consumer spending suffered, chiefly because of dismal *spring* weather and the general election.

The study expects that imports, rather than domestic goods, will reap much of the benefit of the expenditure boom, with the recent rise in sterling a key factor.

Spending will *be* buoyant in the early part of 1988, but should slow down as the year progresses. The year as a whole will muster expenditure growth of 3.3 per cent, but by the final quarter consumer spending will be just 1.1 per cent higher than in the same period this year.

Consumer Spending Forecasts by Staniland Hall Associates. Published quarterly at £95 a copy (£310 per annum).

Analysts oppose draft rules on broker research

BY BARRY RILEY

NEW DRAFT regulations issued by The Securities Association might have a damaging impact on the provision of stockbroker research to private investors, says the Society of Investment Analysts, a body that includes analysts working for securities firms and investment institutions.

In a response to TSA rules published last week, the SIA says: "We believe it to be profoundly wrong for market regulators either to restrict the flow of non-confidential information or to attempt to limit investment activity prompted by it."

In a submission to TSA, the analysts maintain that attempts to put a fence around research material in the investment community might result in information being distributed in similar form by non-authorised people. Those might include industrial consultants or publishers of newsletters.

TSA's narrow definition of the "publication" of research documents as a single, broadcast event comes in for attack. The analysts say that a broader definition is needed to cover the giving of informal advice while research work is in progress.

There is also criticism of TSA limiting its restrictions to publications which represent the first comment by the originating firm for 12 months, or include a change of view since the last publication.

The SIA says: "Even assuming that 'clean,' unpublished, price-sensitive information acquired by honest diligence should be controlled, it would be nonsensical to restrict control over it to 'fresh' recommendations. The Securities Association's limit is not only unsound, it is an invitation to evasive tactics by the ill-intentioned."

The analysts are understood to feel that TSA's rules have been distorted by the association's wish to accommodate the traditional freedom of the Eurobond market. Accordingly, research that goes only to professional investors will be subject to much less restriction than "regulated publications" that have a wide circulation to ordinary investors. But that will create serious anomalies.

The society says: "The main problem is that once information is in the public domain it can circulate freely between the expert and inexpert. It is difficult to penalise someone for imparting in writing something which he could innocently communicate by word of mouth.

"The need for relatively unfettered background research, such as follows routine plant visits, or resides in periodical sector commentaries, is absolutely essential to the efficiency of the market. There is no reason why such information should be denied private investors, provided the service they are to receive is properly defined."

MSC considering teletext service for job seekers

BY RAYMOND SNODDY

THE Manpower Services Commission is looking into the possibility of creating a national teletext service for job seekers.

Executives of Oracle, independent television's teletext service, will consider a feasibility study at MSC head office in Sheffield today. Teletext is the service of news and information transmitted on spare lines of the existing television signal.

The MSC became interested in the possibilities of teletext as a result of the service run by Central, the Midlands independent television company, over the past year.

Central has been running its Job Finder service each day for an hour after normal broadcasting ends. Details of about 40 difficult-to-fill jobs are given in text form in an hour-long sequence.

The material starts out as teletext, but is transmitted as ordinary television pictures so that viewers do not need a special teletext set

Even though Job Finder is not now transmitted until after 3 am, because of the start of late-night television, research suggests that it attracts about 100,000 viewers.

More than 250 people have found full-time jobs using it. Yorkshire Television has started a similar service.

The MSC, which provides the information for Job Finder, is keen to explore the possibility of setting up a national teletext service.

Oracle could add pages of local jobs for specific independent television regions

Clash over Highlands conservation jobs claim

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE HIGHLANDS and Islands Development Board, which promotes economic growth in the highlands and islands of Scotland, has clashed with the Nature Conservancy Council, the primary interest of which is conservation.

The immediate issue at stake is a claim by the NCC that employment created by conservation activities in the Highlands is equivalent to that generated by two important economic sectors there—fish farming and skiing. The NCC claimed last week that the equivalent of 305 full-time jobs existed in nature conservation.

Mr Robert Cowan, chairman of the HIDB, pointed out that the figure paled alongside the 760 full-time jobs and 500 part-time jobs created in the past few years in fish farming, and the 700 skiing industry jobs in the Aviemore area alone last season.

Mr Cowan says the NCC is trying to soften up the opposition in advance of what he calls "new 'conservation' restraints of unprecented proportions" by trying to "draw a mantle of economic philanthropy" over its activities.

Discount for over-55s on home insurance

By Eric Short

COMMERCIAL UNION Assurance, the leading UK composite insurance group, is breaking new ground in its latest household insurance policy, Home Plan, which offers a 10 per cent premium discount to householders aged over 55.

This is a completely new move by an insurance company in determining house contents premiums. The CU is making the reduction because it has found that elderly people are a better risk and make fewer claims, presumably because the theft risk is lower since houses are not left empty for long periods and there are fewer high-value contents, such as videos and hi-fi equipment.

The plan also contains the now standard practice of giving discounts on premiums to householders taking appropriate security measures. There is a 15 per cent discount if an approved alarm device is fitted. The plan also gives householders a 10 per cent reduction on the cost of Chubb security locks and bolts, together with a free door-viewer.

The CU is also departing from the accepted practice in house contents insurance of requiring householders to ascertain the sum insured—the level of cover—by estimating the total cost of replacing as new the contents of the house.

That has caused considerable difficulties for householders who tend to guess the value and usually under-insure.

Now CU is fixing the sum insured according to the number of bedrooms in the house or flat. The sum insured rises from £14,000 for one bedroom to £25,000 for four bedrooms.

Insurance companies have in recent months been endeavouring to fix the premium rates to reflect the underlying risk. Sun Alliance Group introduced premium discounts not only for taking adequate security measures, but also for lagging internal water pipes.

Improved drugs 'lead to cash savings in NHS'

By Peter Marsh

DEVELOPMENTS IN pharmaceuticals have contributed to savings in the National Health Service, according to a report today from the Office of Health Economics, a body set up by the UK drugs industry.

Taking into account a single disease, respiratory tuberculosis, the report says that between 1957-84 the health service saved £568m in reduced hospital stays, largely as a result of better drugs.

Similarly shortened treatment times for a group of six infectious diseases including asthma, epilepsy, glaucoma and bronchitis produced savings of £193m over the period.

The report warns, however, that statistics such as those must be regarded carefully as they fail to take into account unquantifiable factors such as improvements in the quality of life generated by new medicines.

In a foreword to the report, Professor John Butterfield of Cambridge University, says: "There are few cases where ... obvious benefits in terms of 'patient turnover' can be unequivocally demonstrated."

Costs and Benefits of Pharmaceuticals Research; Office of Health Economics, 12 Whitehall, London SW1A 2DY; £1.50.

A mundane but vital matter of paying up

Janet Bush looks at the importance of smooth cash transactions to the market's stability

THE ANNOUNCEMENT on Friday of special powers by the Stock Exchange and a set of prudential measures by the Bank of England designed to tackle setttlement backlogs in the equity market have highlighted the absolute necessity of smooth back-room operations to the stability of financial markets.

While the public image of London securities houses has become ever more glamorous—six-figure salaries, fast cars and souped-up telephone salesmen—the provision of competent settlements systems has perhaps suffered. At least in the equity market, the lack of emphasis on the more mundane part of the busineses has now come home to roost.

The patter of the salesman and the speed and skill of the market maker are a mirage until the bargain slips are filled in, booked and exchanged for concrete cash.

A security house may have the finest trading reputation, but if its settlement system is not quick, efficient and fail-safe, its clients will soon lose patience. More important, any breakdown in the system might risk substantial losses in the confusion, and dangerously large exposures for some market participants.

The substantial backlogs in settling equity market bargains and the chaos that has caused inevitably led to Friday's measures. Those included Stock Exchange powers to buy in stock centrally and force settlement of outstanding bargains and powers to fine, name and restrict the trading of firms guilty of letting their settlements get too far behind.

There were some early teething troubles, too, in the UK government bond market, mostly because of the inexperience of some of the personnel hired by the then-27 market makers in gilts.

In general, however, the Central Gilts Office's computerised settlements system has worked with quiet efficiency, in stark contrast to the Stock Exchange's mechanisms.

The Bank, which set up the CGO in a joint venture with the Stock Exchange, believes its system offers a model to other markets, both in England and overseas.

The CGO is situated in one of the white stone, anonymous buildings that stand in the shadow of the Bank of England. It has at its heart a powerful and sophisticated computer system and a large band of youthful clerks who spend their day keying transactions into dozens of subsidiary computer terminals.

Given the strides made in computerising settlement since the days of the old jobbers' counter, the CGO operation is still surprisingly labour-intensive.

The future development of settlement systems can be summed up in one word—"dematerialisation," the buzzword for the process of ridding offices of paperwork and replacing it with computer terminals and space-age electronic transfer.

The CGO system is still in the relatively early stages of development. Although the largest players can now input their daily transactions for settlement into the CGO electronically, smaller bargains are still bunched together, sometimes backed by seemingly anachronistic gilt certificates, and delivered by hand by an army of messengers.

The next stage will involve opening up membership of the CGO, thus steadily eroding the piles of paper that are still a feature of the back room and the CGO itself.

At the moment, the main members are the Bank, gilt-edged market makers, Stock Exchange money brokers, Inter-Dealer brokers, discount houses and settlement banks—a total of 68. It is likely that membership will be extended to some of the main institutions and to Stock Exchange members in general—the days of the colourful gilt-edged certificates may be numbered.

At the heart of any successful settlements system lie the requirecents of efficiency and security. Computerisation goes a long way towards fulfilling the first. The Bank feels its Assured Payments System, negotiated hard with a group of settlement banks, goes a long way to ensuring the second.

The APS effectively ensures that no one party in a transaction is at any time planted with a substantial amount of risk. The overriding principle is that for every stock moving in one direction, payment is moving in the other. As one official put it: "It is just like exchanging hostages at Checkpoint Charlie."

There are two key regulations. Firstly, stock will only move through the CGO system when there is a corresponding assurance of payment by a settlement bank, which is irrevocably committed to giving this assurance. That ensures there should be no risk of a buyer of stock not receiving the gilts in question and the seller not receiving payment.

Secondly, to ensure there is no risk for the bank, the settlement bank is given a floating charge over the stick in question.

The Bank believes its system is self-contained, pretty safe and has the beauty of relative simplicity. There is no such risk-averse payments system in the equity market, and although that is of concern, there appears to be none planned.

What is planned is a move to an electronic transfer and settlement system, similar to the CGO's, called Taurus, which will take over from the old Talisman system.

Technology is one key to the evolution of settlement systems. Last Thursday, the formation of LondonClear was announced, a net clearing and settlement system for bearer securities in the London money market.

LondonClear says the core idea behind its planned system is to replace physical delivery and thus, it is hoped, improving efficiency, reducing transaction costs, increasing the market's ability to handle larger volumes and reducing the risk of losses.

Casson in international link-up

By Andrew Taylor

CASSON BECKMAN, the British-based firm of chartered accountants that includes among its clients several well-known figures in the entertainment world, is linking up with an international accountancy network that will operate under the banner of Summit International Associates.

Casson will be taking the place of Dearden Farrow, the British firm of accountants that helped to found the international network of 60 independent accountancy firms that formerly operated under the name of Dearden Farrow International.

The organisation has been required to change its title and look for a new UK associate after the merger this year between Dearden Farrow and Binder Hamlyn, another UK accountancy firm.

Casson Beckman includes singers Boy George, Lulu and Val Doonican among its clients. An expanding corporate client list includes Yellowhammer, the advertising agency, Raybeck, the clothing retailer and manufacturers, and Arenson Group, the furniture company.

Summit, which operates from 200 offices in 40 countries, commands a combined worldwide fee income of more than US$200m (£122.6m). Its headquarters are to be located in the New York offices of accountants Richard A. Eisener.

Mr Peter Ohrenstein, managing partner of Casson Beckman, said "Our corporate business has been developing fast and with it the requirement to provide clients with an international service. By joining Summit, with its established global network, we are now ideally placed to meet those demands."

Shearson expects 8% inflation

BY MICHAEL PROWSE

INFLATION will rise to almost 8 per cent by the end of next year, Shearson Lehman, the securities house, says in its quarterly review of the UK economy, out today.

The pessimism about inflation is based largely on a suggested close link between rises in house prices and rises in retail prices. Mr Tim Congdon and Mr Peter Warburton, the report's authors, argue that it is "inescapable that either house price inflation must fall from its present 13 per cent to 14 per cent level or retail price inflation will rise towards 10 per cent."

They say that house and retail prices have enjoyed a close and reasonably stable relationship over the past 30 years. House price inflation on average has tended to outpace retail price inflation by less than 3 per cent a year, yet the gap in 1987, for the second year in succession, will be about 10 percentage points.

Shearson points out that the last great house price surge was followed by a surge in retail price inflation. House prices rose by 17 per cent and 29 per cent respectively in 1978 and 1979 and retail price inflation subsequently rose to a peak of 18 per cent in 1980.

The report identifies three links between house and retail prices. First, home owners can convert some of the capital gains on their houses into consumption by withdrawing equity when they move house. The higher spending in the shops pushes up prices.

Second, higher house prices stimulate the construction industry. If labour and other shortages develop, wages and other prices will rise with knock-on effects in the rest of the economy.

Third, if house prices rise faster than the rate of interest, people have an incentive to borrow. The higher borrowing boosts the assets of banks and building societies and results in faster money creation.

The authors also emphasise the importance of mortgage interest relief in the inflationary cycle.

Electricity profits may top £1bn

BY MAURICE SAMUELSON

THE Electricity Consumers' Council said yesterday that it expected the electricity industry to show profits of more than £1bn this year, exceeding those recently announced by British Gas.

Ms Jenny Kirkpatrick, the council's director, said that would justify a cut in prices like those recently offered by the gas industry.

"If gas can do it, so can electricity," she said in the council's annual report. "Last year, British Gas profits were over £1bn. We are expecting next week's figures from the electricity industry to be well in excess of this."

The council welcomed the fact that electricity prices had been frozen in 1987 but said it was time consumers "reaped the full benefit from the fall in energy prices."

Not only was the Central Electricity Generating Board paying over the odds for its coal but the Government was setting financial targets for the industry that meant consumers still paid too much for their electricity.

According to Mr John Hatch, chairman of the Electricity Consumers' Council, the electricity industry was paying £750m a year to support the coal industry. With most of its coal costing more than world prices, is was "premature" to discuss privatiation of the electricity industry.

He welcomed the £300m-a-year reduction in CEGB's latest five-year contract with British Coal but claimed that the country's 22m registered electricity consumers were subsidising British Coal through a hidden "cial tax." Unless those issues were openly addressed, the electricity industry could not "sensibly pass into private ownership."

Tyre group may shed 125 jobs

By John Griffiths

UP TO 125 jobs, nearly 20 per cent of the total, may be lost at Avon Rubber's industrial polymer plants in Wiltshire.

In overall job terms, however, the cuts at Bradford-on-Avon and Melksham would be largely offset by plans to take on another 100 workers at the group's vehicle tyres plant, also at Melksham, the company said.

Avon said increased demand for its high-performance radial car tyres required seven-days-a-week working, compared with the existing 5½-day week. Starting in mid-August, the company would recruit and train a new group of rubber workers and staff for the extra shifts. Those made redundant from the industrial polymers plants would be considered for the jobs.

The polymers job cuts are expected under an efficiency improvement programme to be instituted as the result of a recently completed survey of the two plants' operations.

In a letter to the 630 employees, Mr Brian Stacey, the group's director of non-tyre interests, said "everything possible" would be done to make the cuts voluntary, including an improved redundancy package for employees accepting before August 28. No redundancies would take place before January.

Ferry inquiry likely to back safety changes

BY KEVIN BROWN

THE PUBLIC INQUIRY into the Zeebrugge ferry disaster is expected to recommend significant changes in safety regulations when its report is published later this week.

Mr Justice Sheen, the High Court judge who chaired the investigation into the disaster, will read his judgement to a reconvened session of the inquiry on Friday.

He is expected to confirm that the immediate cause was the failure of the crew to close the bow doors, leading to a fatal inrush of sea water.

That might mean disciplinary action against some of the ship's officers, including the suspension or withdrawal of qualifications.

Nearly 200 people died when the Herald of Free Enterprise, operated by Townsend Thoresen, a subsidiary of European Ferries, capsized outside Zeebrugge harbour on March 6.

The inquiry heard evidence of errors of judgment by some European Ferries' managers, but Mr Justice Sheen has no power to act against shore staff.

The Government has already ruled that there will be no criminal prosecutions as a result of the disaster, but the inquiry is thought likely to call for closer supervision of ferry companies by the Department of Transport.

The second part of the inquiry report will deal with the general safety of roll-on roll-off ferries and the need for design changes.

Mr Justice Sheen heard conflicting evidence on the advantages of transverse bulkheads on the open vehicle decks of ferries. He is thought unlikely to recommend large-scale structural changes to existing ships, but may call for the inclusion of transverse bulkheads in new vessels. Those might be movable, to limit interference with loading and unloading.

The inquiry report is also expected to call for improved loading techniques, better control of passenger numbers, more accurate monitoring of technical information, better crew training and improved emergency instructions to passengers.

Safety has been tightened up on ferries using UK ports since the accident, but practices vary on different routes. Some companies have installed closed-circuit television checks on bow doors, for instance, while others continue to rely on inspection by crew members.

New thoughts in old bottles

JOHN LLOYD

IT has been for years a cliché of political discussion that the right has had the good ideas, that the Conservatives were no longer the stupid party, that the left was suffering from intellectual exhaustion, or cowardice, or both.

Professor Norman Stone, more in schadenfreude than in sorrow, has written that thinkers of the right in this country and abroad "write with the kind of strength and panache that come from a conviction that history is moving their way. The kind of sputtering defensiveness that used to be a quality of right-wing prose is now more likely to be found in journals of the left."

Now that it is commonly (though not universally) accepted that Labour's campaign packaging could scarcely have been bettered, a chorus of voices is rising to urge the virtues of disciplined policy thinking to address the flaws in the content. Mr Neil Kinnock, the Labour leader, gave an impetus to that last week when he told his parliamentary party that a policy overhaul should, literally, be radical: the plant should be torn up, he said, and its roots closely scrutinised.

His party's policy director, Mr Geoff Bish, had anticipated his leader in calling for — in a paper to the national executive — an approach to policy making which would pick and mix proposals emanating from think tanks like those used successfully by the Conservatives: a call echoed by Mr Bryan Gould, the new Shadow Trade and Industry Secretary, who has trenchantly described Labour's policy making as a system under which a few sympathetic "experts" meet with overworked MPs and under-researched party officials to produce unreadable verbiage to no-one's satisfaction.

Likely to be debated at this year's TUC congress is a motion from the Inland Revenue Staffs Federation which proposes the funding of a new think tank — one which, at least in theory, might seek to pull in forces other than the unions and Labour. The Fabian Society, conscious of its own limitations in this regard, is keen on the idea: and the Employment Institute, a think tank whose time never quite came, is presently brewing plans to extend its scope and reach.

The instant objection to this activity is that there are already places, old and new, where thinking is done. What is more, that thinking gets into the newspapers (a necessary complement to fresh thinking). Mr Dick Taverne of the SDP has been influential in seeding two—the Institute for Fiscal Studies and the Public Policy Centre, both of which (especially the first) have put such matters as taxation policy on the public scene. The ferment which created the SDP in itself released much intellectual energy, some of which remains to be focused—or refocused, once the Alliance's present traumas are over.

The Policy Studies Institute, one of the oldest and largest of such centres, attracts to it intellectuals from the right, centre and left.

None of this, though, is thought to answer the perceived failings on the centre and the left. In part this is because it is believed that there is no figure—save perhaps Professor Ralf Dahrendorf, who is however both German and resident in the US—who both takes a grand synoptic view of society and offers detailed prescriptions.

But it is more to do with a lack of faith. Nowhere, it is thought, is there an intellectual centre pulsing with the kind of vibrancy, excitement and radicalism which is held to have been a hallmark of the Centre for Policy Studies and the Institute of Economic Affairs in the 1970s. The people there, say their envious would-be emulators on the left and centre, really believed what they were saying and writing. More, they had chutzpah: they did not sulk when reviled, but carried on pressing their case—even on those hostile to it.

All this is likely to be very well: or at least, it is likely to be very well for the great media minds of our time, who will soon see opened a rich vein of cossetting and hospitality. But what will they be told? What will be the intellectual beef to accompany the canapes and agreeable dry white wine ("Perrier for me please-)?

It is, as yet, pretty raw; indeed, the best case for the formation of a new think tank is that it is raw, and that no-one has the recipe—as Mr Kinnock, it seems, went a long way to admitting. But some of the ingredients will be these.

First, as a kind of overhanging philosophical problem, will be the question of whether or not egalitarianism can and should be a systematic, central aim of government policy. Nearly everyone outside Conservative ranks (and some still mutinously inside) believes it should. But the belief suffers from sclerosis, and from a numbing fear that the better-off will never again be persuaded to possess the generosity, or the guilt, to vote in a redistributive government. The practical, self-interested case for egalitarianism has yet to be made effectively.

The role and functions of the state and local government are critical here. As Prof Nicholas Deakin, of Birmingham University, has observed, "not only would comfortable Britain have to accept the need to make sacrifices... confidence in state agencies as the means by which redistribution can be achieved both justly and efficiently would also have to be restored."

A revival of support for some—inevitably modified—institutions of the social democratic state would engage all the intellectual talent a new centre could mobilise; and there is at least some evidence that both the ideas and the talent are there to be mobilised. But it may come to conclusions which even now might be seen as heretical. In willing more egalitarian ends than those presently on offer, it may also have to will means which have been, and still are, anathema to many on the left. Any serious proposals for efficiency in the public sector cannot leave undisturbed the National Union of Teachers and the National and Local Government Officers Association. Some of such a new body's radicalism will have similar targets to the old (right) centres'.

But some will be different. The search for a better way of creating national wealth to serve egalitarian ends will not leave undisturbed, either, the febrile short-termism of the City of London; the monopolies of the professions; the cupidity, stupidity and bias of much of the media; the increasingly worrying centralisation of public life, coupled with the destruction of alternative centres of power; the sink of poverty in which millions hopelessly live.

There is much that can fuel the idealism and the belief of new thought in new or old thought bottles: all it needs is a bit of money and the will to do the work.

John Lloyd is editor of the New Statesman.

INTERVIEW

The workers' boss-man

Andrew Fisher talks to Franz Steinkuehler, head of the West German metalworkers' union

FRANZ STEINKUEHLER, the trim fast-talking, energetic head of IG Metall, the biggest trade union in the Western world, is a man with an answer for almost everything.

Because he is articulate, dresses smartly, and likes to live and eat well, it has been said that he behaves more like a businessman than a trade unionist. But the leader of West Germany's metalworkers who defused an incident with a disgruntled worker in the 1960s with a well-timed wrestling throw, has little time for such comment.

"When people talk like that, I always ask if they know anyone who likes to eat badly. Of course I like eating well and I would rather drive a fast car than an old banger. So would most people, I imagine.

"I do not eat out much, I have to watch my figure. But when I go out, I would rather eat good food.

Looking younger than his 50 years, Steinkuehler shoots out words and arguments like firecrackers, emphasising his points with rapid gestures. He has been president of IG Metall, with membership steady at 2.6m, since last October, following Hans Mayr and his redoubtable predecessor, Eugen Loderer. It is, he says, a job he enjoys. With it goes a salary of some DM 200,000 (£67,000) and a green Mercedes.

He could well lead the union until the mandatory retirement age of 65, though officials have to be re-elected every three years. Does he fancy the prospect of 15 more years? "In theory, yes, if lightning does not strike me, and my colleagues do not vote me out.

● PERSONAL FILE

1937 Born Wuerzburg, son of a policeman
1958 Qualified as toolmaker
1963 Stuttgart district secretary, IG Metall
1972 District head of the union
1983 Union's deputy president
1986 Union's president

I cannot imagine leaving IG Metall voluntarily."

The man who could take the union into the 21st century has a well-developed set of ideas about work, what it means and how it should be rewarded. He also has strong views about the role of IG Metall, the largest of the 17 unions in West Germany's union confederation (DGB).

For a start, he thinks there is no need to redefine work. "Even with shorter hours, work will still be the central point in people's consciousness. The status of work does not depend on its length, but on its content. We have still got a long way to go to see that there is an end to senseless, empty work.'

Having just compromised on the 35-hour week and agreed with employers on a three-year deal leading to 37 hours, he is never the less adamant that shorter working times are on the way. "The 35-hour week will be agreed. That is our goal for the 1990s. We shall go into the next decade with a 35-hour week."

With rising productivity, he does not rule out the possibility of even shorter working times, a notion likely to make employers blanch. But he seems more concerned with making sure that work has an enhanced value, and not just in cash terms. "Workers in this republic today are the best trained ever. They have had 10 years at school and up to four years' job training. You cannot expect them not to have a say in their means of existence."

In a country where training is a key part of the industrial scene, Steinkuehler believes more should be done to continue the education of employees during working hours, and not just in narrow factory skills. "That would be very one-track, one-dimensional further education. Creativity doesn't depend on knowing how, say, alloys are made, but goes beyond the demands of the job."

Much, he says, could be done through normal pay and conditions deals with employers, many of whom now accept that "learning once for your whole life is not enough."

Steinhuehler is also committed to making work less unpleasant by eliminating routine, repetitive assembly line tasks. "People have to forget their creativity for eigh hours, or they couldn't stand it."

In 1973, he led a strike in the state of Baden-Wuerttemberg, home of Daimler-Benz, Bosch, and Porsche, which suceeded in putting a minimum time of 1.5 minutes on each routine assembly task, such as putting in spark plugs, and enforcing regular breaks.

Before that, it was thought that German workers would only strike for money. Steinkuehler sees a need for more moves towards stressing the non-pay, job-satisfaction element of work. "IG Metall must offer more ideas than in the past about how society will develop.

"In the 1980s," he comments, "unions have been on the defensive, ideologically, politically, and socially. We have mass unemployment (now 2.1m). The republic has been drifting politically to the right, but unions remain a strong bulwark in defence of employee interests and the maintenance of democracy."

It is not only Chancellor Kohl's conservatives who have attracted Steinkuehler's criticism. In the last years of Chancellor Helmut Schmidt's centre-left coalition, he was a vehement protester against attempts to reduce the social security network.

When Steinkuehler joined the union in 1951, he worked closely with Willi Bleicher, then Stuttgart district leader of IG Metall. Bleicher had spent 12 years in a concentration camp for being a Communist—though he was to leave the party in the 1950s.

Steinkuehler never embraced Communism, but he insists upon a sense of political history. "I always try to make clear to my colleagues where the union movement comes from.

The union spends DM 35m a year on educating officials. "They don't just learn how to work out a contract, or which paragraphs are in the industrial relations law. They also learn the history of the union movement."

West German unions have developed very diffrently from those in the rest of Europe since the war. Steinkuehler believes this has helped IG Mteall and th DGB to be more of a check on the Kohl Government in its efforts to clip union wings than the UK unions have been with Mrs Thatcher.

German unions are organised on an industry basis, with IG Metall covering mainly steel, motors, engineering, electricals and electronics. The system, which has contributed much to industrial harmony in Germany, was worked out after the war by the occupying powers, notably the British. The present industrial unions are far stronger than the pre-war craft unions, Steinkuehler points out.

Thus he believes the Kohl Government has not been quite so extreme as the Thatcher Govrnment, because German unions are a bigger hindrance than British ones can be. "The UK system can only be understood through history. It has contributed to the existence of a more marked class-consciousness than you find in Germany."

Not that Germany lacks class awareness. But the war wiped out many of the old social and wealth differences and unions tend to see their role in less militant terms than elsewhere. German unions, for instance, strongly support industrial codetermination, and Steinkuehler is on the supervisory boards of Dailmlr, Mannesmann and Volkswagen.

None the less, leaders like Steinkuehler have been aggressive in pushing wage and other demands. "Germans are not made so that they like to live in conflict. They like to live well and in peace, and I understand that."

Yet they must sometimes be mobilised to preserve what they have, and employers must see that this is possible.

This, Steinkuehler believes, means that settlements can usually be reached without strikes, since disputes carry the risk of defeat and mean sacrifices for those taking part.

He is often seen as an arch-pragmatist, tough when he senes an advantage and softer when prudence suggests such a course. But being pragmatic in daily decisions is not possible without a firm ideological foundation, he believes.

His own political views, left-wing but not extreme, were partly forged through his association with Bleicher. He has been invited to go into politics, but preferred to stay full-time with IG Metall. Links with the opposition Social Democratic Party (SPD), are in good shape. The SPD supports the union in its struggle for shorter hours and against a labour law change denying unemployment pay to workers laid off because of a strike elsewhere.

But as the march against the Schmidt administration showed, The IG Metall boss sets great store by the union's political independence. "It means we have the freedom to go against partis we are close to, when they follow a course different from what we see as our goals."

Compared with most nations, he agrees, West Germany's living standards are high. "There are other countries where they are even bettr, but w certainly don't blong to the worst off." Even so, with an average skilled worker's gross wage of DM 2,700 (£907) a month, "living standards are not that lavish."

Even if workers were as well off as he would like them to be, he does not think they would become too prosperous to stand up for their interests. These increases would then go beyond money and cover the content and personal value of work. "There lies our chance to gain greater influence over the structure of work as we are able more and more to satisfy material needs."

Spycatcher and secrets

JUSTINIAN

IT WILL BE a great pity if the Government's action in the courts to prevent publication of Spycatcher, with its revelations of alleged improprieties and even criminality of its secret service agents of the recent past, is allowed to obscure the immense importance of the Court of Appeal's judgment in the contempt proceedings. These have been brought against the Independent and two other newspapers by the Attorney-General in his capacity of the guardian of the public interest and not as a member of the Government.

While national security considerations obviously lay at the heart of the Government's efforts to put a permanent seal on the lips of all its servants in the security service, the crucial legal issue has been about the preservation of confidential information, whether confidentiality resided in government, a professional adviser, or a company with trade secrets.

It may be that the frontiers of public knowledge should be pushed back and that a great deal of information should not be impenetrably shrouded from the public eye. But whatever the proper ambit of confidentiality in a democratic society, the possessors of truly confidential information must be afforded adequate protection by the law. Confidentiality is uniquely a commodity that can lose its essential characteristic with the stroke of the pen. Once unconcealed it has gone forever. It is therefore the right, even the duty of a possessor of confidential information to respect the trust of confidentiality and even to resist disclosure. Part of the media's function, on the other hand, is to penetrate the veil of secrecy wherever there is concealment of what is properly disclosable in the public interest. Those competing interests require objective evaluation in each particular case. A balance has to be struck to determine which interest should prevail, and only a court can strike it.

Such a balancing act was performed by the courts last summer. The Observer and the Guardian had published articles based upon some knowledge of the contents of Spycatcher which was then the subject of proceedings in the court of New South Wales to ban its publication. The British Government had based its claim for a ban on the footing that no member of the security services, past or present, could without consent of the Government lawfully publish his memoirs. Before the case was heard in the Australian courts, the Attorney General sought injunctions against the Observer and the Guardian restraining them from publishing any thing from Spycatcher pending a full hearing to decide which of the two competing interests should prevail (the Attorney General was acting in his capacity as the law officer of the Crown on behalf of the Government). The injunctions were granted on the basis that on the available evidence at that time it was right to preserve the status quo.

If no injunction had been granted the confidentiality would have immediately evaporated and there would have been nothing left for the courts to decide. Publicity would have immediately triumphed over confidentiality.

Since last summer there has been a stream of material gleaned from Spycatcher, which turned last week into a veritable flood, with the extracts from the book appearing in The Sunday Times and copies of the American publication being brought unimpeded through Customs at Heathrow. It may be that the attributes of confidentiality have now become so attenuated that the High Court will this week discharge the injunctions. But that still leaves the question whether the Independent and the other newspapers have been guilty of contempt.

When the courts last summer had to consider the evidence which tended to favour the granting or refusing of an injunction pending trial, one of the considerations was the degree of publicity that there had already been over Spycatcher. At that time there had been only a trickle of information emanating from the unpublished manuscript in the hands of the Australian publishing house.

The effect of the ensuing leakage of the book's contents, including what the Independent and others published in April of this year, was to put on to one side of the scales of competing interests a considerable weight of disclosed information such that confidentiality was severely jeopardised.

As the Master of the Rolls, put it, what happened was like removing an ice cube from the refrigerator, thus reducing it to unfrozen water that trickled away in disintegration.

Those who acted (if they did, which is still to be determined) with the intention of weighing down one side of the scales of justice had thus demonstrably interfered with the due administration of justice. They had effectively disabled the upholder of confidentiality from attaining injunctive relief, to which he might be entitled, against the proposed disseminator of the confidential information.

Whatever happens in the courts during the coming weeks —the hearing of the appeal in New South Wales a week today, the application by the Observer and the Guardian to have the injunctions against them discharged, and the hearings to determine whether the Independent and other newspapers had the requisite intention to interfere in the administration of justice—the judgment of Sir John Donaldson will stand out as a landmark in a branch of the law that has been grappling in recent years to establish a *modus vivendi* for investigative journalism. Far from seeing the Master of the Rolls as a dampener of press freedom, he should be regarded as providing outstandingly a clarity of reasoning that stakes out the boundary lines of disseminative information.

The Directors of the Company, whose names appear in this prospectus, accept responsibility for the information contained in it. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the Council of The Stock Exchange for the ordinary share capital of the Company, issued and now being issued, to be admitted to the Official List.

Applications for the shares now being offered for sale must be received by 10.00 a.m. on 23rd July 1987 and the application list will close as soon thereafter as Kleinwort Benson Limited may determine. The procedure for application and an application form are set out at the end of this prospectus.

DEBENHAM TEWSON & CHINNOCKS

Debenham Tewson & Chinnocks Holdings plc

(Incorporated in England and Wales under the Companies Act 1985. Registered No. 2088415)

OFFER FOR SALE

by

Kleinwort Benson Limited

of 6,771,030 Ordinary Shares of 5p each at 170p per share, payable in full on application

Share Capital

Authorised		Issued and fully paid following the Offer for Sale
£1,600,000	in Ordinary Shares of 5p each	£1,354,706

The Ordinary Shares now being offered rank in full for all dividends and other distributions hereafter declared, paid or made on the ordinary share capital of the Company.

Indebtedness

At the close of business on 26th June 1987 the Company and its subsidiaries had outstanding unsecured bank overdrafts of £1,186,078, finance lease commitments of £72,944 and convertible unsecured loan stock 1997 of £810,000. Save as aforesaid, and apart from intra-Group liabilities, neither the Company nor any subsidiary had at that date any loan capital outstanding or created but unissued, term loans (whether guaranteed, unguaranteed, secured or unsecured) or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire-purchase commitments, mortgages, charges, guarantees or other material contingent liabilities. For the purpose of the foregoing, foreign currency indebtedness has been translated into sterling at the appropriate exchange rates ruling at the close of business on 26th June 1987.

Definitions

"Company"	Debenham Tewson & Chinnocks Holdings plc
"Debenham Tewson & Chinnocks" or "DTC" or "Group"	the Company and its subsidiaries from 1st May 1987 and, as the context may require, the partnerships of Debenham Tewson & Chinnocks and Debenham Tewson
"Directors"	the directors of the Company
"DTC Directors"	the directors of Debenham Tewson & Chinnocks Limited, the Company's principal trading subsidiary
"Ordinary Shares"	the ordinary shares of 5p each in the Company
"Offer for Sale"	the offer by Kleinwort Benson Limited of 6,771,030 Ordinary Shares at a price of 170p per share as described in this prospectus
"DTC Employees"	all persons employed by DTC (other than those which DTC is required, under its property management contracts, to engage and employ to provide services in respect of managed properties)

Directors, Secretary and Advisers

Directors

Richard Neville Lay FRICS, *Chairman*

George Anthony Twentyman Turnbull MA, FRICS, *Chief Executive*

Derek Michael Butler BSc, FRICS

Sydney John Howard FRICS

Peter Wingate Jones MA, FRICS, ACIArb

John Stephen Sadler CBE, MA, *Non-Executive*

Derek Roger Sayer FRICS, ACIArb

David Guy Steventon FRICS

Keith Elliott Way FRICS, ACIArb

Stephen John Webster FRICS

all of Bancroft House, Paternoster Square, London EC4P 4ET

Secretary and Registered Office

Timothy Wallace Smyth BSc, FCA
Bancroft House, Paternoster Square, London EC4P 4ET

Financial Advisers and Sponsors

Kleinwort Benson Limited
20 Fenchurch Street, London EC3P 3DB

Stockbrokers

Cazenove & Co.
12 Tokenhouse Yard, London EC2R 7AN

Auditors and Reporting Accountants

Touche Ross & Co., *Chartered Accountants*
Hill House, 1 Little New Street, London EC4A 3TR

Solicitors to the Company

Clifford Chance
Blackfriars House, 19 New Bridge Street, London EC4V 6BY

Solicitors to the Offer

Herbert Smith
Watling House, 35 Cannon Street, London EC4M 5SD

Principal Bankers

National Westminster Bank PLC
94 Moorgate, London EC2M 6XT

Receiving Bankers

National Westminster Bank PLC
New Issues Department, PO Box 79, 2 Princes Street, London EC2P 2BD

Registrars and Transfer Office

National Westminster Bank PLC
Registrars' Department, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH

Key Information

The following information is derived from, and must be read in conjunction with, the full text of this prospectus.

Business

Debenham Tewson & Chinnocks is one of the few major practices of national and international property advisers in the United Kingdom, offering comprehensive and integrated property advice to clients.

In the year ended 30th April 1987, DTC represented more than 1,200 clients in nearly 5,000 instructions and turnover amounted to £16.9 million. The Group currently has agency instructions in respect of over 11 million square feet of office, retail and industrial space, more than 2,000 general consultancy instructions and management contracts in respect of property portfolios with an aggregate value in excess of £2 billion.

Financial Record

The financial record of Debenham Tewson & Chinnocks, as extracted from the Accountants' Report, is set out below.

Year ended 30th April	1983	1984	1985	1986	1987
	£'000	£'000	£'000	£'000	£'000
Turnover	7,826	8,793	10,593	13,693	16,858
Profit before tax	1,053	1,181	1,520	1,956	2,947
Earnings per Ordinary Share	1.92p	2.27p	3.17p	4.53p	7.42p

The financial record has been adjusted, as explained in the Accountants' Report, to present the results of the predecessor partnerships as if they had carried on business in the present corporate structure throughout the period. In particular, profit before tax is stated after charging notional remuneration for the DTC Directors, and the tax charges have been calculated as if the profits had been liable to corporation tax throughout the period.

Offer for Sale Statistics

Offer Price	170p
Ordinary Shares in issue following the Offer for Sale	27,094,118
Market capitalisation at the Offer Price	£46.1 million
Percentage of the ordinary share capital being offered	25 per cent.
Price earnings multiple based on the Offer Price	22.9 times
Notional gross dividend yield at the Offer Price*	2.64 per cent.
Notional dividend cover	2.28 times
Net cash proceeds for the Company	£2.8 million

*On the basis of notional net dividends of 3.25p per Ordinary Share (4.49p gross) which the Directors would have recommended in respect of the year ended 30th April 1987 had the Ordinary Shares been in issue and listed for the whole of that year.

DEBENHAM TEWSON & CHINNOCKS
International Property Advisers

Introduction

Debenham Tewson & Chinnocks is one of the few major practices of national and international property advisers in the United Kingdom. The Group offers comprehensive and integrated property advice to clients from offices in the City and West End of London, Cardiff and overseas. It acts only as adviser and agent and not as principal. DTC provides advice on commercial property, development land and Central London residential property. Its client list spans a wide range of property investors, occupiers and developers.

In the year ended 30th April 1987, DTC represented more than 1,200 clients in nearly 5,000 instructions and turnover amounted to £16.9 million. The Group currently has agency instructions in respect of over 11 million square feet of offices, retail and industrial space, more than 2,000 general consultancy instructions and management contracts in respect of property portfolios with an aggregate value in excess of £2 billion.

DTC's reputation is founded on the quality and independence of its advice and on the personal attention of the 34 DTC Directors to client business. The Group is committed to excellence in the services it provides and is determined to remain one of the leaders in its profession.

History

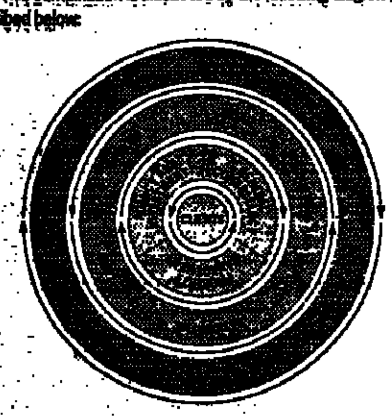
In 1853, Frank Debenham founded the firm at 80 Cheapside in the City of London. He was soon joined by Edward Tewson and the name of the firm changed to Debenham & Tewson. The now familiar name, Debenham Tewson & Chinnocks, dates from 1913 when the partnership amalgamated with Chinnock Clarke and Chinnock.

The West End office was opened in 1967 and the Cardiff office in 1969. Shortly afterwards, the partnership decided to develop an international network and opened offices in Bahrain in 1975 and in New York in 1980. The Group now also has associated offices in Australia, Belgium, Hong Kong, Malaysia, Singapore, and West Germany.

On 1st May 1987, the partnership business was transferred to the Group. The DTC Directors are all former partners of the predecessor partnerships.

Business

Debenham Tewson & Chinnocks offers comprehensive and integrated property advice to its clients combining expertise in three professional skills (agency, investment and financial services; general consultancy; and property management) with knowledge of various types of property (land; offices; retail; industrial and high tech; and residential) and experience in different geographical markets (City; West End; national and international). This combination is illustrated by the following diagram, each element of which is described below:



An important feature of DTC's approach is the co-operation and teamwork between different departments and specialist areas. Professional skills overlap, providing both depth in numbers across the different departments and a breadth of knowledge and experience in the professional staff, which the Directors consider to be essential for the provision of specialist advice.

A consequence of this approach is that clients are able to satisfy their requirements for property advice from within the Group, without the need to consult a number of specialist firms. The work of any one department therefore frequently generates instructions for others.

The ability to provide comprehensive and integrated property advice is the basis of DTC's success.

Clients

The many clients whom DTC advised during the year ended 30th April 1987 included:

Allied Dunbar Assurance plc
Allied-Lyons Pension Funds
Amersham International Public Limited Company
ANZ Merchant Bank
Argyll Stores (Properties) Limited
Arlington Securities Plc
The Armourers and Brasiers' Company
Arrowcroft Group Limited
Arthur Andersen & Co.

BAA plc
BDH Limited
BP Oil Limited
BP Pension Scheme
Bahrain Car Parks Company
Bahrain Chamber of Commerce
Bahrain Kuwait Insurance Co
Bahrain Middle East Bank
Bank of Ireland
Bankers Trust Company
Banque Belge Limited
Barclays De Zoete Wedd Property Investment Management Limited
Barking, Havering and Brentwood Health Authority
Barlow Lyde & Gilbert
Bath City Council
Bergen Bank
Berisford Property Developments Limited
Bride Hall Developments Limited
British Home Stores PLC
British Rail Pension Funds
British Rail Property Board
British Telecommunications plc
The Buccleuch Estates Limited
The Burton Group plc

C.T.I. Developments Limited
Canadian Imperial Bank of Commerce
Capel-Cure Myers
Capital & Counties plc
Cartier Limited
Cellnet Limited
Charterhouse Bank Limited
Christian Salvesen Food Services Europe Limited
Churchill College, Cambridge
College of Estate Management
Commerzbank AG
Continental Bank
Coopers & Lybrand
The Corporation of London
Country and New Town Properties plc
Countryside Properties Public Limited Company

Creditanstalt-Bankverein
Crest Estates Limited

The Electricity Council
ESN Property Management Company Limited
Enfield Health Authority
English Estates
Ernst & Whinney
Estates & General Investments PLC
F. T. Everard & Sons Limited

Fairholme Estates (Holdings) Ltd.
First National Bank of Chicago
Fraser House Commercial Developments PLC
Friends' Provident Life Office
Frigoscandia Limited

Glaxo Holdings p.l.c.
Glaxo Trustees Limited
M J Gleeson Group PLC
Goldman Sachs International Corp
Good Relations Group plc
Greater London Enterprise
Greig Fester Limited
Greycoat Group PLC
Greyhound Financial Services Limited
Grosvenor Developments Limited
The Grosvenor Estate
Grosvenor Square Properties Group plc
Guardian Newspapers Limited
Guardian Royal Exchange Properties
Guinness Mahon & Co. Limited
Guinness Peat Group plc
Guinness plc

Hampstead Health Authority
Hanson Trust PLC
Haslemere Estates Public Limited Company
Heron Retail Parks
Honeywell Pension Trustees Ltd.
Hunting Gate Developments Ltd.

Imperial Chemical Industries PLC
Imperial College of Science & Technology
Imperial-Trident Life Limited
Initial plc
The International Stock Exchange of the United Kingdom and Republic of Ireland Limited

John Laing PLC
Laing Properties (UK) Limited
Land Securities PLC
Lesser Land Limited

Lex Service PLC
Liberty Life Assurance Co. Ltd.
Linklaters & Paines
Linotype Limited
Lloyd's
Lockton Developments plc
London Borough of Barnet
London Brick Property Limited
London Central Y.M.C.A.
London Docklands Development Corporation
London & New York Estates Corporation
London Regional Transport
Lucas Industries plc

MEPC plc
Magdalen College, Oxford
The Manifold Charitable Trust
Marine & General Mutual Life Assurance Society
Markheath Securities PLC
Marks and Spencer p.l.c.
Marler Estates p.l.c.
Marples Developments Limited
Marples International Limited
R. P. Martin p.l.c.
Matheson & Co., Ltd.
The Medical Defence Union Limited
Merrill Lynch Europe Limited
Mobil Services Company Limited
Mobil Trustee Company Limited
John Mowlem Homes Limited
Mowlem Property Developments Ltd

NCNB National Bank of North Carolina
National Leasing & Finance Co.
The National Trust
National Westminster Bank PLC
Next PLC
North Western Regional Health Authority
North West Leicestershire District Council
The Norwich Union Life Insurance Society

The Oldham Estate Company plc
Oxford Regional Health Authority

Pearl Assurance Public Limited Company
Pfizer Limited
Premier Brands UK Limited
Price & Pierce (Holding Company) Limited
Portsmouth and South East Hampshire Health Authority
Prudential Assurance Company Limited
Prudential Portfolio Managers Limited
Public Storage U.S. Property Trust

RAF Benevolent Fund
Ranks Hovis McDougall PLC
Reed International PLC
Reliance Mutual Insurance Society Limited
Revlon International Corporation
Rivlin plc
Rosehaugh Public Limited Company

The Royal Bank of Canada
Royal Commonwealth Society
Royal Institution of Chartered Surveyors' Benevolent Fund Limited
Ryman Limited

Rush & Tomkins Group plc

Scottish Development Agency
The Scottish Mutual Assurance Society
Security Pacific Eurofinance (UK) Ltd.
Security Pacific Hoare Govett (Holdings) Limited
Slough Properties Limited
W H Smith & Son Limited
South East Thames Regional Health Authority
Southend-on-Sea Borough Council
South Glamorgan County Council
The Special Trustees for St. Bartholomew's and St. Mark's Hospitals
Speyhawk Land & Estates Limited
St. Martins Property Corporation Limited
Staffordshire County Council Superannuation Fund
Stock Conversion PLC
Stockley PLC
Stoke-on-Trent City Council
Sun Alliance Insurance Group

TSB Group plc
TSB England & Wales Public Limited Company
Tarmac Properties Limited
Taylor Woodrow Homes Limited
Tesco PLC
Theodore Goddard
Toronto Dominion Bank
Toshiba International Company Limited
Toshiba Corporation
TOTAL OIL Great Britain Limited
Touche, Remnant & Co
Town & City Properties Limited
Trafalgar Brookmount Limited
Trafalgar House Developments Limited
The Trustees of the Grindlays Bank Ltd. Staff Pension Plan
Turner Kenneth Brown

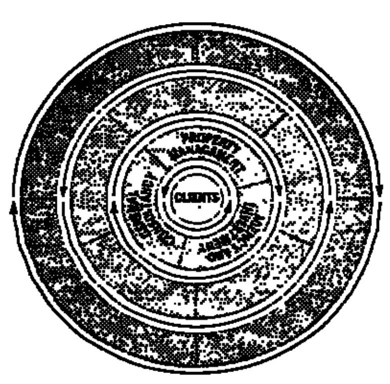
Valin Pollen International PLC
Vestric Limited
Virgin Group plc

Wallbrook Estates Ltd.
The Warden & Scholars of Winchester College
Wates Built Homes Limited
Welsh Development Agency
Welsh Office
Wessex Regional Health Authority
Wheatsheaf Investments
Woolwich Equitable Building Society

Professional Skills

DTC's many skills can broadly be grouped under the headings: agency, investment and financial services; general consultancy; and property management. Each of these skills is enhanced by a central research and information services department.

The names of the DTC Directors are listed in this section alongside the description of the professional skills in which they practise.



Agency, Investment and Financial Services

1. Agency

DTC conducts all the usual agency activities: acquisitions, sales and lettings, through the introduction of vendor to purchaser or landlord to tenant, and subsequent detailed advice and negotiation. Transactions are normally effected after thorough market research supported by up-to-date computerised records of properties available, potential purchasers or tenants and the terms of past transactions. Sales and lettings normally involve a carefully planned and targeted marketing campaign.

The Group attaches a high priority to the provision of relocation advice to professional firms, financial institutions and industrial companies wishing to re-organise their premises to meet their increased accommodation requirements. For example, DTC has advised Canadian Imperial Bank of Commerce throughout its relocation programme. The bank moved into 149,000 square feet of offices in London Bridge City in April 1987 and has disposed of its former offices in Bishopsgate and Austin Friars. It has also acquired printing and storage premises in Southwark.

Agency work often derives from the ability of DTC Directors to identify development sites, to introduce them to potential developers and, where appropriate, to arrange the necessary finance. For example, DTC identified the potential for a town centre shopping scheme in Norwich and introduced the opportunity to Estates & General. Subsequently, DTC advised the company in the assembly of the site and arranged the funding with Friends' Provident. DTC has been appointed joint sole letting agent for the proposed 320,000 square feet centre, which will comprise 4 large stores, 40 shop units and 1,000 car parking spaces.

2. Investment and Financial Services

DTC is retained on a regular basis as investment adviser to a number of major institutional clients. That advice commences at a strategic level in the formulation of a property investment policy and continues with the implementation of that policy through purchase and sale transactions. The client is supplied with periodic performance reviews and the basic strategy is regularly updated. The advice embraces the appropriate mix, age and yield for different types of commercial property in the portfolio.

An example of a recent acquisition in which DTC was able to demonstrate the skills of its investment department and the overlap with other specialisations was the purchase on behalf of the BP Pension Scheme of the freehold property at 75 King William Street, London, EC4. DTC had recommended that a strategic decision be taken to commit further funds to the City of London. It then identified the property and negotiated the freehold purchase. DTC is now acting as the investment consultant on the development of the site for approximately 140,000 square feet of offices and has been appointed sole letting agent. On completion, the property will become the responsibility of the management department.

1

DTC arranges finance for property development, either on behalf of banks or institutions providing finance, or on behalf of property development companies seeking such funds. DTC has also been involved in tax related property funding and in developing innovative forms of property development finance. DTC recently acted for Allied Dunbar in marketing and effecting the sale of a portfolio of industrial properties which were purchased by Helical Bar for a price approaching £25 million. Prior to offering the portfolio for sale, DTC had identified a limited recourse debt facility which was subsequently used by the purchaser.

Colin Vaughan is Chairman of the Royal Institution of Chartered Surveyors Working Party on Unitisation and has played a leading role in the negotiations with The Stock Exchange which resulted in the recent publication of the listing requirements for single asset property companies, property income certificates and single property ownership trusts. DTC is in a position to play an active role in a new market for SAPCOs, PINCs and SPOTs should this develop in the next few years, but does not at present intend to be a market maker in these new investments.

General Consultancy

DTC's general consultancy services comprise the following:

1. Valuation

DTC undertakes valuations for insurance companies, pension funds, property bonds, nationalised industries, banks, industrial and commercial companies and property companies. These might be of individual properties or of portfolios and might be carried out on a recurring or a one-off basis. Valuations are required for financing and re-financing purposes, bank lending, management buyouts, company acquisitions, balance sheet revaluations and Stock Exchange requirements.

During the last year, DTC has carried out a number of important valuations: for Bankers Trust in connection with the management buyout of City Merchant Developers from Guinness Peat Group and then, with the consent of City Merchant Developers, for Rivlin in its acquisition of City Merchant Developers; for Stock Conversion at the time of its takeover by P&O; and for Premier Brands in its management buyout. DTC has been appointed by the Co-operative Insurance Society Limited and MEPC plc to value the investment portfolio of The Oldham Estate Company plc in relation to MEPC's offer for the share capital of that company. DTC was appointed to value BAA's properties in 1986. These valuations were updated by BAA for its privatisation.

2. Landlord and Tenant

DTC has considerable expertise in advising landlords and tenants in respect of rent reviews and lease renewals, increasingly complex matters requiring detailed knowledge of the relevant statute and case law and access to extensive records of agency lettings. Many of DTC's rent review assignments arise from lettings arranged by the agency departments and, as most modern commercial leases contain provision for regular rent reviews, this is a recurring source of income.

For example, DTC has recently completed rent reviews for Guardian Newspapers on 84,000 square feet of printing works at 119 Farringdon Road, London EC1, and for The City of London Real Property Company Ltd. in respect of 118,000 square feet of offices at Suffolk House, Laurence Pountney Hill, London EC4. DTC has also been appointed by Sun Alliance, the freehold owners of Lever House, Kingston-on-Thames, to act in the rent review of this 76,000 square feet office building occupied by Lever Brothers.

Due to their experience, some DTC Directors are appointed by the President of the Royal Institution of Chartered Surveyors to act as arbitrators or independent experts in landlord and tenant disputes. Keith Way, Peter Jones and Derek Sayer are Associate Members of The Chartered Institute of Arbitrators.

3. Rating and Statutory Valuations

DTC provides statutory valuations on behalf of private sector clients, typically in respect of rating assessments but also for compulsory purchase and capital gains tax purposes. Property investors are becoming increasingly aware of the adverse effect of high rates on rent. Rating instructions are often referred by the agency departments on completion of a lease or purchase and can achieve significant savings for clients. For example, DTC, acting on behalf of Hogg Robinson, negotiated a reduction in the rating assessments of its new London headquarters in 1984/85, obtaining an average reduction of 29 per cent. on the original rating assessments. In addition to general advice and negotiation with the Inland Revenue, DTC represents the client in the local valuation court and acts as independent expert in the Lands Tribunal when necessary.

The Directors believe that, due to its extensive client base and computerised records of market transactions, the Group is particularly well placed to benefit from additional rating work arising from the proposed rating revaluation in 1990.

4. Land Development Consultancy

Partly due to changes in the UK's economic structure and partly due to government policy that public authorities should make better use of their capital resources, official attitudes to historical land uses are changing. DTC offers, to both public and private sector clients, the technical and creative advice necessary to identify sites with potential for development or redevelopment and to maximise their value.

Recently, DTC advised F. T. Everard & Sons, the shipping company, in relation to approximately 65 acres of land, a former wharf and industrial area, at Greenhithe. DTC identified the land's development potential for residential, retail and marina purposes, formulated a number of possible schemes, negotiated planning permission and is now appointed as sole agent to sell the land for development. DTC is also advising Everards on the relocation of its offices as a consequence of the proposed disposal of the site.

DTC is at present giving advice to health authorities in respect of more than 25 sites which are or will shortly become wholly or partly surplus to their requirements. For example, DTC was instructed by the Barking, Havering and Brentwood Health Authority to provide land use and valuation advice on a 28 acre hospital site at Harold Wood in Essex. The site's strategic location, close to the M25, A127 and A12, led DTC to advise that a planning application should be lodged for a mixed use scheme including retail, industrial, leisure and residential uses. The planning application was pursued at a public inquiry and the Secretary of State's decision is currently awaited.

5: Planning

The planning department gives practical advice to clients on all matters relating to town and country planning. Most planning permissions are granted as a result of negotiation, but, where appropriate, DTC appears on behalf of clients as expert witness at planning appeals and public inquiries.

DTC negotiated a planning consent with Luton Council for 1,250 houses on approximately 100 acres of agricultural land on the north east side of Luton and was involved in a public inquiry into South Bedfordshire Council's refusal of permission for a further 450 houses on an adjacent 37 acres. DTC subsequently acted in the sale of the whole site to a consortium of national housebuilders.

A speciality is advice throughout the country in respect of retail development schemes. For example, DTC acted on behalf of the British Rail Property Board to promote, at a multiple planning inquiry, a 35,000 square feet out-of-town supermarket at Penzance. The scheme was the only supermarket permitted by the Secretary of State for the Environment and building work is due to commence this summer.

6. Building Surveying

Building surveying is undertaken through Debenham Tewson Building Services Limited. Twenty-two building surveyors advise present and potential owners or occupiers on the construction and services of buildings, including advice on condition, improvement, maintenance and insurance and on the statutory and legal requirements relating to the construction and use of buildings.

DTC's building surveyors design and supervise the refurbishment of existing buildings and the fitting out of commercial properties for new occupants. For example, DTC advised Ernst & Whinney on the acquisition of an additional 40,000 square feet of office accommodation at York House, Westminster Bridge Road, London SW1. DTC's building surveyors carried out an initial survey and are now overseeing the repairs being undertaken by the landlords as a condition of the lease. They are currently preparing the specification and working drawings prior to supervising the contract for the fitting out and occupational works, having undertaken similar projects for Ernst & Whinney in various provincial cities.

In addition, DTC's building surveyors monitored the construction of the first major office development to be completed in the Isle of Dogs, a 104,000 square feet office building at South Quay Plaza, on behalf of the financing consortium, which comprised Security Pacific Eurofinance and National Leasing & Finance Co. DTC subsequently advised on the sale of the building to the Daily Telegraph.

Property Management

The property management department makes extensive use of computer technology to process most administrative tasks associated with owning a major property portfolio. This leaves the managers free for the more creative work of improving the quality and performance of their clients' portfolios. It is now accepted that returns from property can only be optimised by continuous attention to the requirements of refurbishment, development and exploitation of marriage value from consolidation of adjoining interests. The department liaises with the investment department to identify worthwhile opportunities.

DTC has recently been awarded what the Directors believe to be the two largest property management contracts ever competitively offered in the United Kingdom: It was appointed to manage a major part of Electricity Supply Nominees' property portfolio with effect from 1st April, 1985 and that of the British Rail Pension Funds with effect from 1st July, 1987, which together have a value of approximately £900 million.

Debenham Tewson & Chinnocks now manages, for about 50 clients on a contractual basis, commercial property situated in the United Kingdom with an aggregate open market value in excess of £2 billion from which DTC collects a rent roll (including service charges) in excess of £115 million per annum in respect of over 4,800 tenancies.

Properties managed by DTC include the Berkeley Square and Knightsbridge Estates which DTC has managed since their acquisition for the BP Pension Scheme in 1967 and 1977 respectively. The two estates comprise a total of 214 buildings held under 700 leases.

Research

Research and Information Services Department

The Directors believe that the best advice in all the above professional skills is based on a thorough understanding of the property market and that, in a complex and changing marketplace, instructions are more likely to be given to those firms which are able to provide research. Furthermore, research is seen as the key to innovation and business decision making.

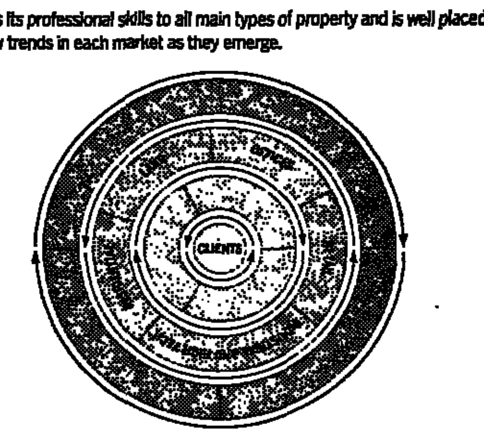
DTC set up a research and information services department in 1967. Six researchers now provide a variety of analytical skills both in support of fee earning departments and as a direct service to clients. Areas of study include economic assessments of particular locations, analyses of supply and demand for various types of property both in quantitative and qualitative terms, property portfolio performance analysis, forecasting property trends and market research studies.

- Recent published topical reports include:
  The Channel Tunnel
  Shops: The Dynamics of Demand
  Unitisation of Large Properties: Portfolio Diversification Potential
  American Institutional Investors and Real Estate
  Rates Reform: Government Proposals
- Regular publications include:
  Money into Property — an annual analysis of institutional and bank involvement in the property market. The 1987 edition included the results of a major survey of banks to establish their lending policies for commercial property.
  Central London Office Floorspace Survey — A statistical analysis of supply and demand for offices in the key sectors of the office market based on monthly floorspace movements.
  Rent and Rates Reports — Annual examinations of the changes in accommodation costs for office, shop and industrial property.
- Recent research consultancy work has been carried out for Electricity Supply Nominees, Scottish Development Agency, BAA, The Grosvenor Estate and ICL.

An extensive library and information service provides an important support facility for the surveying and research staff. It collects data on all issues affecting the property market and provides a monitoring service throughout the Group. Internal databases are complemented by access to systems such as the Investment Property Databank, of which the Group was a founding sponsor. These provide analyses of commercial property performance and other analytical services based on substantial records of institutional property holdings.

Types of Property

DTC applies its professional skills to all main types of property and is well placed to identify new trends in each market as they emerge.



Land

Advice is provided both to the public and private sectors in respect of areas of land whose existing use is no longer appropriate. Generally, the acreages involved are large, the issues complicated and the combination of land uses varied. Successful implementation of the advice will often be followed by substantial agency business.

In addition, DTC is able to call on specialist advice in relation to agricultural land from R. H. & R. W. Clutton, with whom it has an association.

Offices

The nature of the demand for office property has changed significantly in the 1980s as both owners and occupiers become more discerning in terms of the quality and specification of buildings. DTC's office departments handle all types of office property including buildings suitable for financial and professional users, surburban and provincial town centre offices and campus offices. These may be existing buildings, refurbished properties or new developments.

DTC is currently handling agency instructions in respect of over 4 million square feet of offices in the UK.

Retail

In the retail sector, DTC has been notably successful in securing instructions for major town centre development schemes usually starting with land development consultancy and town planning advice, continuing with the arrangement of the finance for the development, supervising the building work and finally letting the retail units. DTC has also been actively involved with out-of-town shopping centres, superstores and retail warehousing.

DTC is currently involved in agency and development advice in respect of over 2 million square feet of retail space, including 7 town centre schemes on which construction work has started or is expected to start by the end of 1987.

Industrial and High Tech

DTC deals with factories, warehouses and business parks. The publication of "High Tech Myths and Realities" by the research and information services department in 1983 established DTC as a leading authority on high tech buildings and has created many new opportunities for its clients as a result of the detailed research that went into the preparation of that publication.

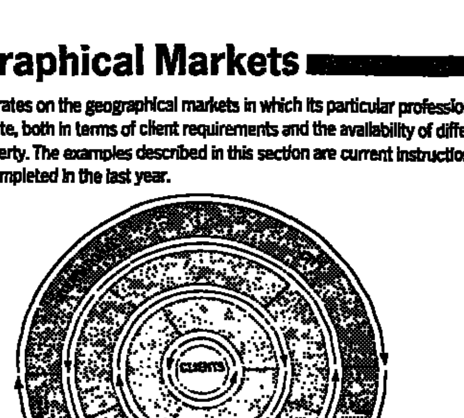
DTC currently has instructions to handle the disposal of over 4 million square feet of modern industrial space, predominantly in the south east.

Residential

Residential work is undertaken by Debenham Tewson Residential Limited. The practice developed from estate agency into the provision of a full service to clients in respect of both proposed residential developments and existing buildings. DTC has been able to capitalise on the buoyancy of the Central London residential market and on the contacts of its overseas offices to the benefit of UK clients.

Geographical Markets

DTC concentrates on the geographical markets in which its particular professional skills are appropriate, both in terms of client requirements and the availability of different types of property. The examples described in this section are current instructions, or have been completed in the last year.



City

DTC has an historical association with the City of London and is a leading participant in the City, Holborn and Docklands office markets. In the year ended 30th April 1987, the agency department acted in acquisitions, sales and lettings involving 1.5 million square feet of offices and advised on developments totalling almost 1.75 million square feet. In rent review and lease renewal negotiations, the City practice dealt with over 600,000 square feet.

DTC also advises in relation to retail properties in the City and adjacent Docklands areas.

- DTC represented Security Pacific Hoare Govett (Holdings) Limited in its acquisition of a new lease of 162,000 square feet of offices at Broadgate, London EC2. DTC's building surveyors advised on certain specific strategic issues during the construction phase.
- DTC, having previously advised Coopers & Lybrand on their relocation to Plumtree Court, Farringdon Street, London EC4, negotiated a reduction in the rating assessment equivalent to a saving of £275,000 in the rates payable for 1986/7. DTC was subsequently instructed to acquire additional office space and secured the adjacent 40,000 square feet Morley House development at tender.
- DTC advised Norwich Union on the acquisition at tender of New Broad Street House and Orient House, New Broad Street, London EC2. DTC is providing development advice and is currently managing the existing buildings whilst obtaining vacant possession. The buildings will be redeveloped behind their existing facades to provide 127,500 square feet of offices on completion in 1989. DTC is sole letting agent.
- DTC was instructed by British Telecom in their search for office premises and identified and negotiated the acquisition of 42,000 square feet at 125 Shaftesbury Avenue, London WC2. DTC has subsequently been instructed to negotiate the rent review on behalf of British Telecom.
- DTC has been appointed joint letting agent by Town & City Properties, a subsidiary of P&O, for the proposed development of 165,000 square feet of offices on a site opposite the Old Bailey, London EC4.
- DTC acted as joint selling agent with the City Surveyor in selling the former City of London School and an adjacent site in John Carpenter Street for £91 million on behalf of the Corporation of London, acted as letting agent for 82,000 square feet of offices in the new Lloyd's building and acquired a further office building of 67,000 square feet for The Stock Exchange.
- DTC has been appointed joint selling agent by Trafalgar House Residential for 64 riverside flats at Tower Bridge Wharf, St Katharine's Way, London E1.

West End

In its West End practice, DTC deals with office, retail and residential property. It is active particularly in the office markets of Mayfair and Victoria. In retail, DTC's main area of activity is Knightsbridge. In the residential markets, DTC concentrates on Mayfair, Belgravia and Knightsbridge and also serves Chelsea, Kensington and St John's Wood.

- DTC acted for Reed International in the acquisition of its new 47,750 square feet freehold headquarters building at 6 Chesterfield Gardens, Mayfair, London W1. This is one of the largest office buildings to have been refurbished and sold in Mayfair in 1987. DTC identified the building following an extensive search and is also advising Reed on the disposal of its existing offices. In addition, a structural survey was undertaken by DTC's building surveyors.
- DTC advised Greycoat Group in respect of 2 Marylebone Road, London NW1, initially relating to the terms of a new ground lease granted by Crown Estate Commissioners and subsequently in respect of the development of 42,000 square feet of office space and the letting of the completed scheme to the Association of Consumer Research. DTC is now instructed to sell the resultant investment for Greycoat Group.
- DTC let a shop unit at 5 Sloane Street, London SW1 to Dunhill. The shop is part of the Knightsbridge estate which DTC manages on behalf of the BP Pension Scheme.
- DTC advised British Telecom in the acquisition of Mobile House, Euston Square, London NW1. The 117,000 square feet office building was identified by DTC as a headquarters building for the Mobile Telecommunications division of British Telecom.
- DTC is sole selling agent for MEPC's 15 large apartments at Upper Feilde, Park Street, Mayfair, London W1, a purpose-built block comprising both vacant possession and tenanted apartments.

National

DTC focuses on development land, office, retail, industrial and high tech property, primarily in the south east of England and particularly around the M25 and in the M4/40 western corridor. However, DTC has been involved in many town centre developments throughout the country with a particular emphasis on large retail schemes.

The Group also has a significant presence in Wales through Debenham Tewson Limited, which undertakes commercial agency, advice on development and funding, general consultancy and property management for office, retail and industrial property.

- DTC advised Electricity Supply Nominees in the £33 million sale of the 168 acre Aztec West business park at the intersection of the M4 and M5 motorways. Since its appointment to manage ESN's property portfolio in 1985, DTC has managed the park and has advised in connection with the construction of new units and their letting on completion. DTC, with the consent of ESN, has since been appointed by the purchasers, Arlington Securities, to manage the park on its behalf and to act as joint sole letting agent for the remainder of the development.
- DTC advised Bolton Metropolitan Borough Council on the suitability of the town centre for a large retail redevelopment scheme linked to a Victorian market hall. DTC was subsequently appointed by the developer, Grosvenor Developments, as joint site letting and funding agent for its 300,000 square feet centre, which will include a 100,000 square feet store for Debenhams and 30 shop units when it opens in 1988.
- DTC identified the suitability of Shrewsbury for a town centre shopping scheme and introduced the idea to John Laing Developments. DTC has been appointed their sole development adviser and funding and letting agent for the 300,000 square feet scheme, which should be completed in 1989.
- DTC advised Glaxo Trustees that the pension fund's property portfolio did not have sufficient representation in Scotland. DTC identified a pre-let office development of around 60,000 square feet at Crewe Toll, Edinburgh, and negotiated the purchase. DTC's building surveyors are currently monitoring the construction work.
- DTC was selected by St. Martins Property Corporation to give development advice and to act as joint sole letting agent for its 86,500 square feet Kingsgate office development at Kingston-on-Thames. The building was let before completion to Stewart Wrightson.
- Debenham Tewson Limited advised Tarmac Properties in the acquisition of the 60 acre Cardiff Docklands site, which is part of a major inner city regeneration project and attracted the largest urban development grant in Wales. Debenham Tewson was subsequently appointed sole letting and funding agent by Tarmac Properties and has disposed of a 15,000 square feet bonded warehouse, which has now been refurbished for offices, to Holder and Mathias.
- DTC advised Linotype on the relocation of its London sales and service centre from outdated premises in Wembley. The task involved a comprehensive search to the west of London and culminated in the acquisition of a 30,800 square feet building on the Brentside Executive Park, Great West Road, Brentford.
- DTC is development consultant to Lockton Developments, for whom it has acquired 9 development sites in the south east. These are for office development in Croydon, Potters Bar, Slough and Twickenham, high tech development in Bourne End and Oxford (two sites), warehouse development in Reading and residential development in Broadstone, near Bournemouth. DTC's involvement includes site acquisition, planning advice, project co-ordination and sole or joint letting and selling agency.

International

The Group's overseas work is co-ordinated, under the name of Debenham Tewson International, by Derek Sayer. The Group has its own offices in Bahrain and New York and associated offices in Australia, Belgium, Hong Kong, Singapore and West Germany. The Group currently also has an association with a company in Malaysia, which association will expire in January 1988. In New York, the Group provides agency, investment and general consultancy services through Debenham Tewson & Chinnocks Inc. In Bahrain, the Group provides agency, investment and general consultancy and property management services. The New York office provides a base for serving clients throughout the United States and Canada and the Bahrain office performs a similar function in the Middle East.

DTC benefits from its international network in various ways. Commercial and residential properties can be exposed through the overseas offices to a more extensive market. Furthermore, the Group can keep abreast of changing market conditions in countries in which the overseas offices are located, enabling it to identify favourable investment opportunities for British and foreign clients.

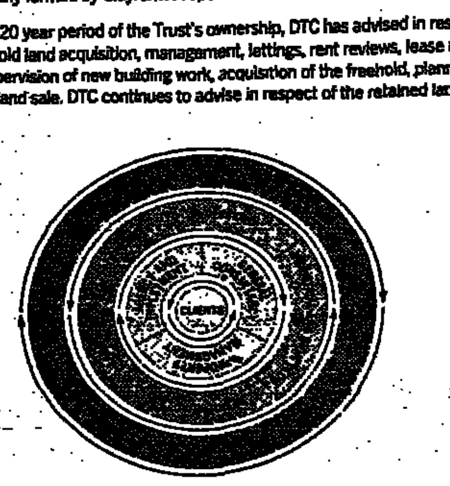
- DTC was instructed by Electricity Supply Nominees in April 1987 to arrange the worldwide marketing of the freehold interest in the Trocadero Centre, London W1, through its overseas offices. DTC has been responsible for the management of this speciality shopping and entertainment centre, located between Piccadilly Circus and Leicester Square, since 1985.
- DTC's New York office identified the Manulife Plaza in Los Angeles, a 380,000 square feet office block, for INVESTCORP (introduced through DTC's Bahrain office) and negotiated and advised on the purchase of an individual fee ownership interest in the property. DTC continued to assist in the strategic asset management of this investment and to provide valuation advice until INVESTCORP sold the property in 1986.
- DTC acted for the Bahrain Car Parks Company as development consultants for a 100,000 square feet commercial centre in Bahrain. Subsequently, DTC was appointed sole letting and managing agent for the centre. The banking halls, retail space and office accommodation were let *inter alia* to American Express, Citicorp and ABN Bank.
- DTC's associated office in Brussels advised Friends' Provident on the refurbishment of its 90,000 square feet office building known as The Europe Centre in Rue de la Loi, Brussels. DTC's associated office was sole letting and managing agent and has recently agreed a sale of the property.

Comprehensive and Integrated Property Advice

It is the breadth of the skills, advice and experience and the links between the services offered which frequently enable DTC to advise on many different aspects of the same property or transaction.

An example of the application of DTC's comprehensive and integrated property advice to a single project is the White Waltham Airfield Estate near Maidenhead. DTC acquired this 57 acre leasehold estate for the Manifold Charitable Trust in 1965 and has managed it since then. The former hangars were converted into industrial buildings and let to a variety of tenants. Subsequently, the site was enlarged by acquisiton and the freehold acquired for the Trust. In 1987, 33 acres were sold for redevelopment to a joint venture company formed by Clayform Properties and Mowlem.

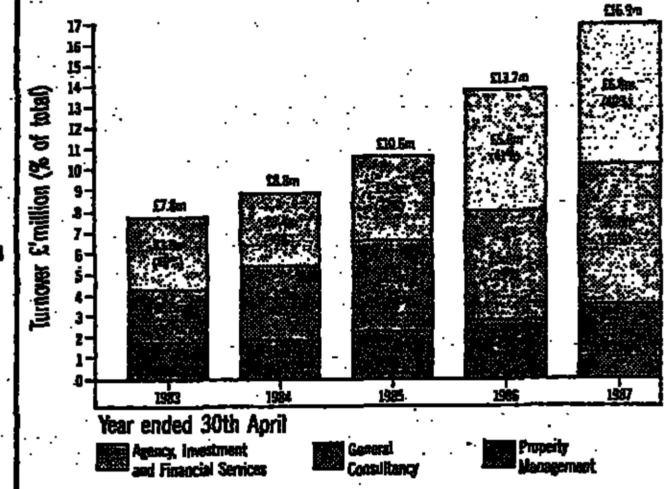
In the 20 year period of the Trust's ownership, DTC has advised in respect of the original leasehold land acquisition, management, lettings, rent reviews, lease renewals, design and supervision of new building work, acquisition of the freehold, planning advice and the 1987 land sale. DTC continues to advise in respect of the retained land.



DTC provides comprehensive and integrated property advice through the application of research and professional skills to different types of property in various geographical markets. This has been the key to the quality of DTC's service and to its success.

Fee Income

An analysis of the Group's turnover for the five years ended 30th April 1987, derived from the Accountants' Report, is illustrated below:



This graph demonstrates the importance of each of the three professional skills in achieving the Group's growth over the five year period. The fee structure varies according to the nature and terms of the instruction.

Agency, investment and financial services accounted for 40 per cent. of Group turnover in the year ended 30th April 1987. Agency commission is success related and, although the work is speculative, clients bear all major disbursements including marketing and advertising expenditure, thereby limiting DTC's exposure to the time expended on the assignment. DTC will normally only accept sole or joint sole agency instructions (except in the case of residential property). Much of DTC's agency work is undertaken for clients who are advised by the Group on a regular basis.

General consultancy fees, which accounted for some 39 per cent. of Group turnover in the last financial year, are time based, success related, *ad valorem* or fixed. DTC is generally paid for work undertaken on projects which are subsequently aborted, usually on the basis of time expended.

Property management income has consistently contributed about 21 per cent. of the increasing Group turnover over the five year period. Management is undertaken on a contractual basis, normally for a commission related to the rents collected and other fees for additional work such as rent reviews. Some clients prefer a single fee to cover all aspects of the management service.

Three clients, BP Pension Scheme, Electricity Supply Nominees and Allied-Lyons Pension Funds, accounted for 27 per cent. of turnover in the year ended 30th April 1987. These three clients all have substantial property portfolios which are managed under contract by DTC. In addition, DTC provides investment advice, agency services and general consultancy in respect of these portfolios.

DTC has advised BP Pension Scheme and Allied-Lyons Pension Funds for some twenty years and won the Electricity Supply Nominees property management contract in 1985. The Directors are confident that DTC's relationship with these important clients will continue in the foreseeable future.

In respect of its associated offices, DTC generally receives a consultancy fee based on profits, which is not reflected in the above fee income figures.

Management and Staff

Directors

Since 1980, DTC has been managed by an Executive Committee comprising Richard Lay, Anthony Turnbull and Peter Jones. Derek Sayer was elected to join this committee in 1985. On 1st May 1987, management responsibility passed to the Directors of the Company, who are as follows:

Richard Lay FRICS (aged 48) is Chairman. He joined DTC in 1960 and became a partner in 1965. He was Chairman of the Executive Committee for seven years. He is a member of the West End Branch Local Board of the Sun Alliance Insurance Group.

Anthony Turnbull MA, FRICS (aged 49) is Chief Executive. After taking a law degree at Oxford University, he qualified as a barrister in 1962 and immediately joined DTC. He became a partner in 1965. He was Chairman of the Finance Committee and a member of the Executive Committee for seven years.

Derek Butler BSc, FRICS (aged 44) is the Director responsible for the investment department and for personnel. He joined DTC in 1967, became a partner in 1971 and has specialised in the investment market since 1972, except for nearly three years between 1975 and 1977 when he opened and managed the Bahrain office.

John Howard FRICS (aged 46) is the Director responsible for the property management department. He joined that department in 1967 and became a partner in 1972. He was the resident partner of the Bahrain office from 1977 to 1980 and took over responsibility for the property management department on his return.

Peter Jones MA, FRICS, ACI Arb (aged 45) is the Director responsible for national general consultancy. He read Estate Management at Cambridge University, joined DTC in 1967 and became a partner in 1969. He opened the Cardiff office in 1969, but returned to London in 1970 to take charge of agency and general consultancy work in the West End office. He was a member of the Executive Committee for seven years. He is the immediate past chairman of the Central London Branch of the Royal Institution of Chartered Surveyors.

John Sadler CBE, MA (aged 57) is a Non-Executive Director. He read Philosophy, Politics and Economics at Oxford University and held various posts at the Board of Trade between 1952 and 1966. Since 1966, he has worked for the John Lewis Partnership; he was finance director from 1971 to 1987 and has been deputy chairman since 1984. He was a member of the Monopolies and Mergers Commission from 1973 to 1985. He has been a trustee of the British Telecommunications Staff Superannuation Scheme since 1983 and a director of Investment Management Regulatory Organisation Limited since January 1987. He was appointed a Non-Executive Director in July 1987.

Derek Sayer FRICS, ACI Arb (aged 44) is the Director responsible for the industrial department and for the co-ordination of the overseas offices. He joined DTC in 1968 and became a partner in 1972. He was a member of the Executive Committee for two years. He is a founder and past chairman of the Industrial Agents Society and a committee member of the Central London Branch of the Royal Institution of Chartered Surveyors.

David Steventon FRICS (aged 40) is the Director responsible for the marketing of DTC's services. He joined DTC in 1971 and became a partner, based in the City, in 1974. He is a past chairman of the Royal Institution of Chartered Surveyors/Institute of Actuaries City Rents Panel and a former committee member of the City Branch of the Royal Institution of Chartered Surveyors.

Keith Way FRICS, ACI Arb (aged 48) is the Director responsible for the City practice. He joined DTC in 1964 and became a partner in 1968. He is a former chairman of the City Branch of the Royal Institution of Chartered Surveyors and is the current City Branch representative on the General Council of the Royal Institution of Chartered Surveyors.

Stephen Webster FRICS (aged 39) is the Director responsible for the national offices and retail departments. He joined DTC in 1971 and became a partner in 1975. He has been particularly active for clients in the property development market.

A second Non-Executive Director will be appointed in the near future.

طبق الأصل

DTC Directors

The DTC Directors are as follows: Name	Age	Years of Service In DTC	Years of Service As a partner
Hugo Bagnall-Oakeley MA, FRICS	49	27	22
Colin Vaughan FRICS	50	31	24
Michael Edmunds BSc, DipTP, FRICS	53	19	13
Justin Roberts ARICS	39	16	11
Keith Stockdale BSc, FRICS	39	18	9
Christopher Foster MA, FRICS, FRVA	50	16	8
Guy Egerton-Smith FRICS	40	18	8
Mark Houslop BSc, FRICS	39	14	8
Frank Eul BSc, FRICS	42	13	7
Robert Peto MA, FRICS	36	16	6
Christopher Wood BSc, FRICS	40	15	6
John Moore FRICS	38	12	5
David Watt MA, FRICS	37	13	4
John Rigg BSc, ARICS	35	11	2
Philip Gray BSc, ARICS	32	10	2
Peter Kelly FRICS	44	20	14
Peter Braithwaite FRICS	38	16	1
Peter Hill BSc, ARICS	31	7	1
Mark Struckett MA, ARICS	29	8	1
Tim Smyth BSc, FCA	40	10	Less than 1
John Heawood MSc, ARICS	34	1	Less than 1
Richard Jones BA, MRTPI, ARICS	31	2	Less than 1
Peter Evans BSc (Econ), ALA, MInfSc	43	19	Less than 1
Andrew Stewart FRICS, ACIArb	44	17	9
David Burgess BSc, ARICS	33	6	2

The executive Directors are also DTC Directors.

All DTC Directors have service contracts with Debenham Tewson & Chinnocks Limited, the principal trading subsidiary of the Company, and participate in a profit related bonus scheme which is described in paragraph 7 of Statutory and General Information.

Certain DTC Directors hold shares in certain unquoted property companies, which were acquired prior to 30th April 1987. The Company has adopted rules under which, save for such existing holdings of shares, DTC Directors are not permitted to deal in property for their own account, other than personal residences and investments in quoted property companies as part of a normal investment portfolio.

DTC Employees

There are currently 410 DTC Employees, of whom 226 are professional staff (including 32 of the DTC Directors, 5 directors of subsidiaries and 36 associate directors) and 184 are accounting, secretarial and administrative staff. All of the DTC Directors, other than Tim Smyth and Peter Evans, and the majority of the professional staff are qualified members of the Royal Institution of Chartered Surveyors. In addition, DTC employs 137 people on behalf of management clients, who are responsible for all the expenses of their employment.

The average number of full-time DTC Employees, including DTC Directors, engaged in the following activities in the last 3 years was:

Year ended 30th April	1985	1986	1987
Agency, Investment and Financial Services	88	110	137
Property Management	65	80	86
General Consultancy	94	110	112
Research	11	12	12
Overseas	16	16	16
Central Administration	41	48	54
Total	315	376	417

Employee benefits

The Directors recognise that the skill, loyalty and motivation of all the Group's staff are vital to DTC's success as the Group's reputation is based largely upon the personal service given to its clients.

Following the transfer of the partnership business to the Group, the Company introduced a share participation scheme which is open to the vast majority of DTC Employees. The opportunity to take up shares under the scheme was initially offered in May 1987 and as a result all qualifying employees now have an interest in the shares of the Company. In addition, options over Ordinary Shares have been granted to associate directors and a senior manager under an Executive Share Option Scheme. Details of both these schemes and the number of Ordinary Shares under option are given in paragraph 8 of Statutory and General Information.

Preferential consideration in the Offer for Sale will be given to applications made by DTC Employees (other than employees of Debenham Tewson & Chinnocks Inc.) and certain directors or principals of DTC's associated offices for up to a total of ten per cent. of the Ordinary Shares being offered.

Financial controls

DTC's finance department is headed by a DTC Director, Tim Smyth, a Chartered Accountant, and comprises 34 people. This department is not only responsible for the Group's own financial controls but also for the financial and accounting aspects of property management and for the maintenance and development of the Group's computer records. The Group's financial controls include the comparison of monthly management accounts with budgets, strict credit control and a policy of prompt fee invoicing. Property management accounts are computerised: details of all the tenancies and relevant collection data enable the computer to generate the necessary invoices and statements and to initiate any necessary clerical intervention.

Summarised Financial Record

The following table summarises the audited consolidated results attributable to the Group for the five years ended 30th April 1987 (extracted from the Accountants' Report).

Year ended 30th April	1983	1984	1985	1986	1987
	£'000	£'000	£'000	£'000	£'000
Turnover	7,826	8,793	10,593	13,693	16,858
Operating profit	1,034	1,159	1,545	2,062	3,078
Net interest (payable)/receivable	19	22	(25)	(106)	(131)
Profit before taxation	1,053	1,181	1,520	1,956	2,947
Taxation	576	617	735	833	1,107
Profit after taxation	477	564	785	1,123	1,840
Earnings per share	1.92p	2.27p	3.17p	4.53p	7.42p

The financial record has been adjusted, as explained in the Accountants' Report, to present the results of the predecessor partnerships as if they had carried on business in the present corporate structure throughout the period. In particular, operating profit is stated after charging notional remuneration for the DTC Directors, and the tax charges have been calculated as if the profits had been liable to corporation tax throughout the period.

Over the last three years in particular DTC has made significant investments in additional personnel, office premises and computer systems to support the increasing demand for its property advice. This policy of expansion has necessarily led to additional costs being incurred in advance of the anticipated additional revenue. Despite this, DTC's operating margin has improved over the five year period ended 30th April 1987 from 13 per cent. to 18 per cent. Over the same period, profit before tax has grown at a compound rate of 29 per cent. per annum and earnings per share at a compound rate of 40 per cent. In the year ended 30th April 1987, profit before tax increased by 51 per cent. and earnings per share by 64 per cent. over the comparable figures for the previous year.

Dividends

The Directors intend to recommend, in respect of each year, an interim and a final dividend which will normally be paid in February and August respectively. They intend that the first dividend should be paid in February 1988.

If the Ordinary Shares had been in issue and listed on The Stock Exchange for the whole of the year ended 30th April 1987, the Directors would have recommended dividends in respect of the year totalling 3.25p net per Ordinary Share (equivalent to 4.49p per Ordinary Share including the related tax credit at the then current rate), of which 1.10p would have been paid as an interim dividend and 2.15p as a final dividend. Such notional dividends would have provided a gross dividend yield at the Offer Price of 2.64 per cent; the net dividend payments would have been covered 2.28 times.

Reasons for the Offer for Sale

The Directors consider that the listing of the Company's share capital on The Stock Exchange will enhance DTC's status in its dealings with clients in both the public and private sectors. The listing will offer DTC access to capital and thus greater flexibility in its future planning by facilitating its growth both organically and through the acquisition of related or complementary businesses, although no specific acquisition is currently in prospect. In addition, the Directors believe that the share incentive schemes which are now offered to the vast majority of DTC Employees will assist the Group in securing and motivating professional staff of the calibre so vital to the success of its business.

Of the 6,771,030 Ordinary Shares comprised in the Offer for Sale, 4,476,912 are being sold by existing shareholders. The remaining 2,294,118 Ordinary Shares are being offered for subscription to raise approximately £2,800,000 net of expenses for the Company. In addition, as a result of the exercise of the subscription rights arising under the warrant referred to in paragraph 2(F) of Statutory and General Information, the Company will receive a further £520,000. These amounts will be used to repay bank borrowings and to finance the continuing expansion of the Group.

Current Trading and Prospects

The Directors view the current financial year with considerable confidence. A number of the major assignments referred to above, including the sale of Aztec West and the Allied Dunbar portfolio sale, have been completed this year and all departments have several substantial instructions in hand, such as the marketing of the Trocadero and the valuation of The Oldham Estate Company's portfolio. Management of the British Rail Pension Funds portfolio began on 1st July 1987 and should make a significant contribution to the Group's profit for the year. Furthermore, many of the development schemes in which DTC has been involved from inception are nearing completion and should yield significant agency income over the next few years.

The Directors believe that the Group's business philosophy of providing comprehensive and integrated property advice to its strong client base will form the basis for future growth and profitability. The Group will be seeking new connections, both at home and overseas, by which the services offered to clients can be extended, both in terms of depth of experience and geographical spread. This expansion may be by the organic development of the existing business, by the establishment of new associated offices or by the acquisition of suitable businesses which can benefit from the injection of the skills and experience within DTC.

Accountants' Report

The following is the text of a report to the Directors of the Company and the *Directors of Kleinwort Benson Limited from Touche Ross & Co., Chartered Accountants.*

Touche Ross
Hill House
1 Little New Street,
London, EC4A 3TR

The Directors,
Debenham Tewson & Chinnocks Holdings plc
Bancroft House,
Paternoster Square, London EC4P 4ET

The Directors,
Kleinwort Benson Limited
20 Fenchurch Street, London EC3P 3DB
17th July 1987

Dear Sirs,

Debenham Tewson & Chinnocks Holdings plc ("the Company") was formed as a private limited company on 12th January 1987 and re-registered as a public limited company on 1st July 1987 at which date its name was changed to the present one. The Company and its subsidiaries commenced trading on 1st May 1987. The business of the Company and its subsidiaries was previously carried on by Debenham Tewson & Chinnocks and Debenham Tewson (together "the Partnership") comprising equity sharing partners ("the Partners"). The partners of Debenham Tewson & Chinnocks had interests in other partnerships and corporate entities carrying on similar businesses. The Partnership and these entities are referred to collectively in this report as "the Group".

Since 30th April 1987 subsidiaries of the Company have acquired substantially all the business activities of the predecessor partnerships and corporate entities.

We have examined the consolidated financial statements of the Group covering the five accounting periods from 1st May 1982 to 30th April 1987 ("the relevant accounting periods"). Our work has been carried out in accordance with the auditing guideline "Prospectuses and the Reporting Accountant".

Binder Hamlyn, Chartered Accountants, of 8 St. Bride Street, London EC4A 4DA, were accountants of all the significant entities comprising the Group in respect of the four accounting periods ended 30th April 1986. We were accountants for the accounting period ended 30th April 1987.

We have audited the financial statements of the Group for the purposes of this report. The financial information set out in this report is based on these audited financial statements and is presented after making such adjustments as we consider appropriate. In particular, for the purpose of this report we have included:–

a) charges in respect of emoluments of Partners on the basis of service contracts effective from 1st May 1987 as adjusted for changes in the Retail Price Index during the relevant accounting periods.

b) work in progress valued in accordance with the accounting policy set out below.

c) contributions to the pension scheme in the relevant accounting periods so as to match the scheme's funding requirements.

d) adjustments to staff bonus to take account of the introduction of the Share Participation Scheme.

e) charges in respect of taxation on the basis that the Group had carried on business in the present corporate structure throughout the relevant accounting periods.

In our opinion, the financial information set out below gives a true and fair view of the state of affairs of the Group at the dates stated and of the results and source and application of funds of the Group for each of the five periods comprising the relevant accounting periods.

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30th April 1987.

1. ACCOUNTING POLICIES

The following are the principal accounting policies adopted in preparing the financial information set out in this report:–

1.1 Accounting convention
The financial information has been prepared under the historical cost convention.

1.2 Basis of consolidation
The financial information consolidates the financial statements of the following entities:

Debenham Tewson & Chinnocks	—London partnership
Debenham Tewson	—Cardiff partnership
Debenham Tewson & Chinnocks Inc.	—U.S. subsidiary, formerly a partnership
Debenham Tewson & Chinnocks International	—Partnership connected with consulting agreements

1.3 Turnover
Turnover comprises commissions and fees receivable exclusive of sales related taxes. Agency commissions are recognised on completion of the transaction.

1.4 Tangible fixed assets
Depreciation is provided so as to write off the cost of tangible fixed assets over their estimated useful lives, on a straight line basis, using the following rates:

Leasehold properties — over unexpired term of lease
Plant and machinery — between 10% and 25% per annum

1.5 Work in progress
Work in progress is stated at the lower of direct cost, including attributable overheads and net realisable value.

No account is taken of work in progress relating to agency activities as the recovery of such costs is contingent upon successful completion of the transaction.

1.6 Deferred taxation
Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

1.7 Foreign exchange
The financial statements of the foreign subsidiaries are translated into sterling at the closing rate of exchange and the difference arising from the translation of the opening net investment in the subsidiary at the closing rate is taken direct to reserves. Other translation differences are dealt with in the profit and loss account.

1.8 Pension costs
Retirement benefits to employees are provided by schemes which are funded by contributions from the Group and employees. Payments are made in accordance with periodic calculations by professionally qualified actuaries and are charged against the profits of the year in which they become payable.

1.9 Leases
Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the periods of the leases.

2. CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The summarised consolidated profit and loss accounts of the Group for the five years ended 30th April 1987 are set out below:

		Year ended 30th April				
		1983	1984	1985	1986	1987
	Notes	£'000	£'000	£'000	£'000	£'000
Turnover	5.1	7,826	8,793	10,593	13,693	16,858
Staff costs	5.2	4,202	4,588	5,427	6,925	8,292
Other operating charges		2,611	3,077	3,681	4,777	5,530
		6,813	7,665	9,108	11,702	13,822
Other operating income		21	31	60	71	42
		6,792	7,634	9,048	11,631	13,780
Operating Profit	5.3	1,034	1,159	1,545	2,062	3,078
Interest receivable		27	23	10	4	1
Interest payable	5.4	(8)	(1)	(35)	(110)	(132)
Profit on ordinary activities before taxation		1,053	1,181	1,520	1,956	2,947
Tax on profit on ordinary activities	5.5	576	617	735	833	1,107
Profit on ordinary activities after taxation available for appropriation	5.13	477	564	785	1,123	1,840
Earnings per ordinary share	5.6	1.92p	2.27p	3.17p	4.53p	7.42p

3. CONSOLIDATED BALANCE SHEETS

The summarised consolidated balance sheets of the Group are set out below:

		At 30th April				
		1983	1984	1985	1986	1987
	Notes	£'000	£'000	£'000	£'000	£'000
Fixed Assets						
Tangible assets	5.8	585	667	1,014	1,859	2,469
Current Assets						
Work in progress		882	1,058	1,236	1,478	1,592
Debtors	5.9	2,281	2,117	2,997	3,859	4,062
Cash at bank and in hand		160	77	113	145	152
		3,323	3,252	4,346	5,482	5,806
Creditors: amounts falling due within one year	5.10	2,138	2,013	3,322	4,622	4,675
Net Current Assets		1,185	1,239	1,024	860	1,131
Total Assets less current liabilities		1,770	1,906	2,038	2,719	3,600
Creditors: amounts falling due after more than one year	5.11	—	—	—	72	343
Provisions for liabilities and charges	5.12	93	100	134	192	141
Net Assets		1,677	1,806	1,904	2,455	3,116
Capital accounts	5.13	1,677	1,806	1,904	2,455	3,116

4. CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The consolidated statements of source and application of funds of the Group for the five years ended 30th April 1987 are set out below:

	Year ended 30th April				
	1983	1984	1985	1986	1987
	£'000	£'000	£'000	£'000	£'000
Source of Funds					
Profit on ordinary activities before taxation	1,053	1,181	1,520	1,956	2,947
Adjustment for item not involving the movement of funds:					
Depreciation	196	217	277	406	448
Total generated from operations	1,249	1,398	1,797	2,362	3,395
Application of Funds					
Purchase of tangible assets	341	299	624	1,251	1,058
Tax paid	430	571	610	701	775
Distributions to/(capital introduced) by partners	(104)	435	687	572	1,179
	582	93	(124)	(162)	383
Change in Working Capital					
Work in progress	125	176	178	242	114
Debtors	481	(164)	880	862	203
Creditors	(201)	(86)	(468)	(666)	178
	405	(74)	590	438	495
Increase/(Decrease) in Net Liquid Funds	177	167	(714)	(600)	(112)
	582	93	(124)	(162)	383

(Net liquid funds comprise cash at bank and in hand less bank overdrafts).

5. NOTES TO THE FINANCIAL INFORMATION

	Year ended 30th April				
	1983	1984	1985	1986	1987
	£'000	£'000	£'000	£'000	£'000
5.1 Turnover					
Agency, Investment and Financial Services	3,654	3,352	3,929	5,587	6,795
General Consultancy	2,470	3,545	4,485	5,330	6,600
Property Management	1,702	1,896	2,179	2,776	3,463
	7,826	8,793	10,593	13,693	16,858
5.2 Staff Costs					
Partners remuneration including pensions	1,262	1,351	1,367	1,693	2,019
Employees	2,784	3,066	3,835	4,958	5,910
Share Participation Scheme	56	63	81	104	155
Employees pension contributions	100	108	144	170	208
	4,202	4,588	5,427	6,925	8,292
No. of Partners	27	28	27	30	32
Remuneration included above in respect of Company directors	494	506	530	609	708
5.3 Operating Profit					
Operating profit is stated after charging/(crediting):					
Depreciation on tangible assets	196	217	277	406	448
Auditors' remuneration	18	20	26	30	40
Income from overseas consultancy agreements	(21)	(31)	(60)	(71)	(42)
5.4 Interest Payable					
On bank overdrafts and loans repayable within 5 years	8	1	35	110	132

5.5 **Tax on Profit on Ordinary Activities**

	Year ended 30th April				
	1983	1984	1985	1986	1987
	£'000	£'000	£'000	£'000	£'000
UK Corporation tax	358	610	765	772	1,151
Foreign tax	213	—	(64)	3	7
Deferred tax	5	7	34	58	(51)
	576	617	735	833	1,107
Rate of UK Corporation tax	52%	50%	45%	40%	35%

The charge for taxation is based on the profit on ordinary activities before taxation as if the Group had carried on business in the present corporate structure throughout the relevant accounting periods and assumes that the ultimate holding company is not a close company for taxation purposes.

5.6 **Earnings Per Ordinary Share**
The calculations of earnings per share are based on the profit on ordinary activities after taxation divided by 24,800,000 being the number of shares that will be in issue immediately after the offer for sale other than the 2,294,118 shares issued for cash.

5.7 **Personnel**
The average number of employees, including partners, other than those required to be engaged under property management contracts to provide services on behalf of clients on managed properties, were:

1983	1984	1985	1986	1987
273	290	315	376	417

5.8 **Tangible Assets**

	At 30th April 1987		
	Leasehold properties	Plant and machinery	Total
	£'000	£'000	£'000
Cost	813	2,752	3,565
Accumulated depreciation	17	1,079	1,096
Net book value	796	1,673	2,469

5.9 **Debtors**

	At 30th April 1987
	£'000
Amounts receivable within one year:	
Fees receivable	2,969
Other debtors	839
Prepayments	254
	4,062

5.10 **Creditors: Amounts Falling Due Within One Year**

	At 30th April 1987
	£'000
Bank loans and overdrafts	1,642
Other creditors	1,200
Taxation and social security	675
Corporation tax and foreign tax	1,158
	4,675

5.11 **Creditors: Amounts Falling Due After More Than One Year**

	At 30th April 1987
	£'000
Obligations under finance leases	55
Obligations for lease premiums	288
	343

5.12 **Provisions for Liabilities and Charges**

	At 30th April 1987
Provision for deferred taxation	141

Full provision for deferred taxation has been made.

5.13 **Capital Accounts**

	At 30th April				
	1983	1984	1985	1986	1987
	£'000	£'000	£'000	£'000	£'000
Balance brought forward	1,096	1,677	1,806	1,904	2,455
Profit on ordinary activities after taxation available for appropriation	477	564	785	1,123	1,840
(Distributions to)/capital introduced by partners	104	(435)	(687)	(572)	(1,179)
Balance carried forward	1,677	1,806	1,904	2,455	3,116

Distributions to/capital introduced by partners consists of drawings by partners and income tax payments made on their behalf reduced by directors' remuneration, corporation tax and other charges.

5.14 **Capital Commitments**
There were no capital commitments contracted for, or authorised but not contracted for, at 30th April 1987.

5.15 **Pension Schemes**
The Group operates pension schemes, both contributory and non-contributory, covering the majority of its permanent employees. The funds are administered by trustees and are independent of Group finances.

Messrs. Lane Clark & Peacock, independent actuaries to the Debenham Tewson & Chinnocks Retirement Plan, carried out an actuarial valuation on the financial state of that fund as at 31st December 1986. Additional contributions were made to the scheme by the Partnership prior to 1st May 1987 to provide for the estimated unfunded liability disclosed by this valuation.

The Debenham Tewson & Chinnocks Executive Pension Scheme is a money-purchase scheme and consequently no unfunded liability can arise.

Yours faithfully, Touche Ross & Co.

Pro forma Consolidated Balance Sheet

The following is an illustrative pro forma consolidated balance sheet of the Company and its subsidiaries at 1st May 1987 which has been prepared on the basis of:—

(a) the issue of 24,800,000 ordinary shares (excluding the new shares comprised in the Offer for Sale);
(b) the purchase of certain assets from such partners;
(c) the repayment of amounts due to such partners; and
(d) the receipt of the net proceeds from the Offer of Sale.

The figures are based on the consolidated balance sheet at 30th April 1987 set out in the Accountants' Report, which has been at 30th April prepared under the historical cost convention:—

	£000	£000
Fixed Assets		
Intangible assets		24
Tangible assets		2,469
		2,493
Current Assets		
Work in progress	1,592	
Sundry debtors and prepayments	984	
Cash at bank and in hand	119	
	2,695	
Current Liabilities		
Bank overdraft	—	
Sundry creditors and accruals	87	
Taxation	83	
	170	
Net Current Assets		2,525
Total Assets Less Current Liabilities		5,018
Creditors: Amounts falling due after more than one year		(343)
Provision for Deferred Taxation		(155)
Consolidated Net Assets		4,520
Capital and Reserves		
Called up share capital		1,355
Share premium account		3,165
Distributable reserves		—
		4,520

Statutory and General Information

1. The Company

The Company, whose principal place of business and registered office are at Bancroft House, Paternoster Square, London EC4P 4ET, was incorporated in England and Wales under the Companies Act 1985 on 12th January 1987 (registered No. 2088415) as a private company with the name of Legibus 837 Limited. On 10th April 1987 the name of the Company was changed to Debenham Tewson & Chinnocks (Holdings) Limited. It was re-registered as a public limited company and its name changed to its present name on 1st July 1987.

2. Share Capital

(A) The Company had on incorporation an authorised share capital of £100 divided into 100 shares of £1 each, of which two were issued fully paid to the subscribers to the memorandum of association.

(B) On 1st April 1987, the issued and unissued ordinary shares of £1 each were sub-divided into 10,000 ordinary shares of 1p each, and the authorised share capital of the Company was increased to £100,000 by the creation of a further 9,990,000 ordinary shares of 1p each.

(C) On 30th April 1987, an aggregate of 8,999,800 ordinary shares of 1p each were issued for cash at par to the persons who at that date were partners in the firms of Debenham Tewson & Chinnocks and Debenham Tewson (the "Partners") and to Mr. G. H. Joy and Mr. P. Hillen (who are directors of Debenham Tewson Limited and Debenham Tewson Building Services Limited respectively).

(D) On 29th May 1987, the authorised share capital of the Company was increased to £200,000 by the creation of a further 10,000,000 ordinary shares of 1p each.

(E) On 29th May 1987, £810,000 nominal of Interest-free Convertible Unsecured Loan Stock 1997 (constituted by an instrument dated 30th April 1987) was issued to the Partners for cash at par, the terms of such stock providing that every 9p in nominal value of the stock was convertible into one ordinary share of 1p.

(F) On 12th June 1987, a share warrant was issued to the trustees of The Debenham Tewson & Chinnocks Retirement Plan entitling such trustees to subscribe for 600,000 ordinary shares of 1p each in the Company for cash at a price of 50p per share subject to adjustment in certain circumstances.

(G) On 14th July, 1987, 9,000,000 ordinary shares of 1p each were issued to the Partners credited as fully paid upon conversion of the loan stock referred to in sub-paragraph (E) above.

(H) By special resolution passed on 15th July 1987:—

(a) the authorised share capital of the Company was increased to £1,000,000 by the creation of an additional 80,000,000 ordinary shares of 1p each;
(b) the directors were authorised (i) to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 ("the Act")) and (ii) to allot pursuant to sub-paragraph (i) equity securities (within the meaning of section 94 of the Act) for cash otherwise than in accordance with section 89 of the Act and the pre-emption provisions contained in the Articles of Association of the Company then in force, in each case up to a maximum nominal amount of £820,000;
(c) the directors were authorised to allot 72,000,000 ordinary shares of 1p each, credited as fully paid by way of capitalisation of reserves, to shareholders on the register at close of business on 14th July 1987 in the proportion of 4 new ordinary shares of 1p each for each existing ordinary share then held by them;
(d) every five of the existing issued and unissued ordinary shares of 1p each were (conditionally upon the allotment of shares pursuant to (c) above) consolidated into one ordinary share of 5p.

(I) By special resolution passed on 16th July 1987 conditionally upon the admission to the Official List of The Stock Exchange of the whole of the ordinary share capital of the Company, issued and now being issued, becoming effective on or before 7th August 1987 ("Admission"):

(a) new articles of association were adopted which contained, *inter alia*, the provisions referred to in paragraph 5 below;
(b) the authorised share capital of the Company was increased to £1,600,000 by the creation of 12,000,000 additional Ordinary Shares of 5p each;
(c) (in substitution for the authority referred to in sub-paragraph H(b)(i) above) the directors were authorised to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £700,000 such authority to expire on 15th July 1992 and to enable the Directors to allot relevant securities after such date in pursuance of an offer or agreement entered into prior to such date;
(d) (in substitution for the authority referred to in sub-paragraph H(b)(ii) above) the directors were authorised to allot (pursuant to the authority referred to in (c) above) equity securities (within the meaning of section 94 of the Act) for cash otherwise than in accordance with section 89 of the Act in connection with (1) rights issues in favour of holders of Ordinary Shares (2) the allotment of Ordinary Shares with an aggregate nominal value of up to £145,000 in connection with the Offer for Sale and (3) (otherwise than pursuant to (1) and (2) above) the allotment of equity securities equal in number to two and one half per cent. of the Ordinary Shares in issue following the Offer for Sale, such authority to expire on the date of the annual general meeting of the Company to be held in 1988 and to enable the directors to allot equity securities after such date in pursuance of an offer or agreement entered into prior to such date;
(e) the directors were authorised to allot 6,200,000 Ordinary Shares credited as fully paid, by way of capitalisation of reserves, to shareholders who will be on the register at close of business on the date of Admission in the proportion of one ordinary share of 5p for every three existing ordinary shares of 5p then held by them;

(J) On 16th July 1987, 600,000 ordinary shares of 5p each were allotted (unconditionally upon Admission) to the trustees of The Debenham Tewson & Chinnocks Retirement Plan for cash at a price of 136.5p per share upon the exercise by such trustees of the subscription rights arising under the warrant referred to in sub-paragraph (F) above.

(K) Section 89 of the Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, other than the allotment of equity securities to employees under an employees' share scheme as defined in section 743 of the Act) applies to the balance of the authorised but unissued share capital of the Company which is not the subject of the disapplication referred to in sub-paragraph (I)(d) above.

(L) Save as disclosed in this paragraph, since their incorporation, no share or loan capital of the Company or any subsidiary has been issued (otherwise than by intra-Group issues by subsidiaries) for cash or other consideration and (save as disclosed in paragraph 9 below) no commissions, discounts, brokerages or other special terms have been granted within the three years immediately preceding the date of this document by the Company or any subsidiary in connection with the issue or sale of any such capital.

(M) On 28th May 1987 options over 996,000 ordinary shares of 1p each were granted under the Company's Executive Share Option Scheme (details of which are given in paragraph 8 below) at an exercise price of 50p. Under the rules of that scheme the Directors have decided (subject to the approval of the Inland Revenue) to adjust the number of shares over which the options granted obtain and the exercise price to 1,328,000 shares and 37.5p respectively in view of the capitalisation issues and the consolidation referred to in sub-paragraphs H(c), H(d) and I(e) above. Save as aforesaid or pursuant to this Offer for Sale no share or loan capital of the Company or any subsidiary is proposed to be issued or is under option or has been conditionally or unconditionally agreed to be put under option.

(N) Following the Offer for Sale 4,905,882 Ordinary Shares will remain unissued of which 1,328,000 (referred to in sub-paragraph (M) above) are reserved for the exercise of subsisting rights under the Company's Executive Share Option Scheme.

(O) Save for the issue of the shares referred to in sub-paragraphs (I)(e) and (N) above or of Ordinary Shares pursuant to this Offer for Sale, no material issue of Ordinary Shares (other than to shareholders pro rata to their shareholdings) will be made by the Company within one year of the date of this prospectus without the prior approval of the Company in general meeting.

(P) At the date of this prospectus the authorised share capital of the Company is £1,000,000 divided into 20,000,000 ordinary shares of 5p each of which 18,000,000 have been issued and are fully paid or credited as fully paid.

3. Transfer of the Business and Overseas Offices

(A) By an agreement dated 30th April 1987 made between the partners of Debenham Tewson & Chinnocks ("the Firm") (1) and Debenham Tewson & Chinnocks Limited (2) (as amended by a supplemental agreement dated 16th July 1987) substantially all the business formerly carried on by the Firm (but excluding the business of the Bahrain office, the interests of the Firm in its consultancy agreement with its associated office in Malaysia and the interests of the Firm in shares in the companies operating its associated office in Sydney (together "the Excluded Assets") were transferred to Debenham Tewson & Chinnocks Limited with effect from the close of business on 30th April 1987 ("the Transfer Date"). The aggregate consideration for such transfer was £4,236,268. Under the terms of such agreement Debenham Tewson & Chinnocks Limited assumed all responsibilities and liabilities of the Firm (or the partners of the Firm) arising by reason of claims made after close of business on the Transfer Date in respect of acts or omissions both before and after the Transfer Date relating to the business transferred but the partners of the Firm remain liable for all creditors and other liabilities of the Firm existing at the Transfer Date and retain the benefit of all debts due and payable to the Firm at the Transfer Date. Details of certain arrangements concerning the continuation of the Firm after Admission are set out in sub-paragraph (E) below.

(B) By an agreement dated 30th April 1987 made between the partners of Debenham Tewson ("DT") (1) and Debenham Tewson Limited (2) the business formerly carried on by the partners of DT was transferred to Debenham Tewson Limited with effect from the close of business on the Transfer Date. The aggregate consideration for such transfer was £121,173. Under the terms of such agreement Debenham Tewson Limited assumed all responsibilities and liabilities of the firm of DT (or the partners of DT) arising by reason of claims made after close of business on the Transfer Date in respect of acts or omissions both before and after the Transfer Date relating to the business transferred, but the partners of DT remain liable for all creditors and other liabilities of that firm existing at the Transfer Date and retain the benefit of all debts due and payable to that firm at the Transfer Date.

(C) By an agreement dated 26th June 1987 made between Debenham Tewson & Chinnocks Limited (1) and Debenham Tewson Building Services Limited ("Building Services") (2) Building Services was appointed agent of Debenham Tewson & Chinnocks Limited with effect from 1st May, 1987 in connection with the carrying on of the building surveying business of the Group, no fee being payable in respect of such appointment.

(D) By an agreement dated 26th June 1987 made between Debenham Tewson & Chinnocks Limited (1) and Debenham Tewson Residential Limited ("Residential") (2) Residential was appointed agent of Debenham Tewson & Chinnocks Limited with effect from 1st May, 1987 in connection with the carrying on of the residential property business of the Group, no fee being payable in respect of such appointment.

(E) The Excluded Assets (together with the rights and obligations under the consultancy agreement with DTC's associated office in Melbourne) are owned by the Firm. By a deed dated 16th July, 1987 and executed by the persons who at that date were partners in all or any of the Firm, DT, Debenham Tewson & Chinnocks International ("DTCI") and Debenham Tewson & Chinnocks Australia ("DTCA") (1) and Legibus 937 Limited ("DTB") (2), it was agreed *inter alia* that (with effect from Admission):—

(i) the firm of DT & DTCA be dissolved;
(ii) (conditionally upon resolution of all matters relating to DTC's associated office in Malaysia, further details of which are given in sub-paragraph (J) below) the firm of DTCI be dissolved;
(iii) the partners of the Firm and (until fulfilment of the condition referred to in (ii) above) of DTCI should be DTB and R. N. Lay who shall receive and bear the profits and losses of the Firm and of DTCI in each case in the proportion of 99.9 per cent. and 0.1 per cent. respectively; and
(iv) the partners of DTC and of DTCI would indemnify DTB and R. N. Lay against all liabilities, costs, claims or demands made against or incurred by either or both of them after the date of Admission in respect of acts or omissions of the partners of the Firm or of DTCI respectively occurring before that date.

(F) The business of DTC's New York office is conducted by a wholly-owned subsidiary of the Company, Debenham Tewson & Chinnocks Inc., further details of which are given in paragraph 4 below.

(G) The businesses of the associated offices of DTC in Melbourne, Hong Kong, Singapore and Brussels are conducted by individuals, partnerships or companies ("the Overseas Principals") which are not members of the Group but which have consultancy agreements with DTC ("the Consultancy Agreements"). Details of the Consultancy Agreements (and, in the case of certain Consultancy Agreements originally entered into by any of the predecessor partnerships, assignments thereof) are given in paragraph 16 below. Under the terms of each Consultancy Agreement the relevant Overseas Principal has agreed to carry on the business of an associated office of DTC and DTC has agreed to provide to that Overseas Principal consultancy services in return for which DTC is entitled to receive a fee being a percentage of the net profits before taxation of the relevant associated office (subject to a specified minimum). Each Consultancy Agreement contains a provision permitting the Overseas Principal to use the words "Debenham Tewson" as part of its business or corporate name in connection with the conduct of its business in the territory specified in the relevant Consultancy Agreement for the duration of that agreement.

(H) The principal of DTC's associated office in Hamburg has agreed with DTC by exchange of letters as referred to in paragraph 16(iii)(e) below for a fixed consultancy fee to provide consultancy services to DTC in relation to matters referred to him.

(I) The businesses of DTC's associated offices in Sydney and Brisbane are conducted by companies which are not members of the Group but with which DTC is currently negotiating agreements which it is intended will be similar to those of the Consultancy Agreements. The Firm is beneficially interested in the entire issued "B" shares of Debenham Tewson Hickson Pty. Limited ("Hickson") which operates the associated office in Sydney (and of Debenham Tewson Hickson Management Pty. Limited which provides services to Hickson), such "B" shares in each case comprising one half of the issued share capital of those companies and entitling the Firm to one half of the voting rights and twenty per cent. of the dividends declared by such companies. Each such company is incorporated in the State of New South Wales and its registered office is at 5 Elizabeth Street, Sydney N.S.W.200. In 1976 the shareholders of Hickson entered into a shareholders agreement pursuant to which the principals of the Sydney associated office agreed that they shall cease to use any of the names "Debenham" "Tewson" or "Chinnocks" upon the Firm ceasing to be beneficially interested in the shares of Hickson.

(J) Pursuant to an agreement dated 17th January 1985, made between the partners of Debenham Tewson & Chinnocks International ("DTCI") (1), Tharmalingam & Majid Sdn Berhad (2), Vasantha Kumar Tharmalingam (3), Michael Cheah Loi Sin (4), Abdul Aziz Bin Mohd Yusof (5) and Debenham Tewson Tharmalingham & Majid Sdn Berhad ("the Malaysian Company") (6) (as amended by a supplemental agreement dated 7th November 1985), *inter alia*, the Malaysian Company agreed to carry on the business of an associated office of DTCI and DTCI agreed to provide to the Malaysian Company consultancy services in return for which DTCI is entitled to receive a fee amounting to 20 per cent. of the net profits (as therein defined) of the Malaysian Company, together with a fixed fee of 20,000 Malaysian Ringgits (approximately £5,000). The Malaysian Company is permitted to use the words "Debenham Tewson" as part of its business or corporate name in connection with the conduct of its business in Malaysia. As provided in the agreement loans were made by DTCI to the Malaysian Company. The business of DTCI was assumed by the Firm in January 1987. Notice has been given to terminate the agreement with effect from 14th January, 1988. The existing partners in the Firm have been advised that they are liable under an indemnity given to National Westminster Bank PLC in respect of guarantees given by that bank to the Malaysian Company's bankers. The amount of the liability under that indemnity cannot exceed 500,000 Malaysian Ringgits (approximately £125,000) and the partners in the Firm have a right of contribution against the shareholders of the Malaysian Company and have security over certain assets of such shareholders. Unsubstantiated demands have been made against the partners in the Firm for an amount of up to £500,000 as a contribution to the business of the Malaysian Company. The existing partners in the Firm have received legal advice that there is no evidence to suggest that such demands have any foundation and pursuant to the deed referred to in sub-paragraph (E) above have agreed to indemnify DTB and R. N. Lay in respect of such demands.

4. The Subsidiaries

The Company is the holding company of the Debenham Tewson & Chinnocks group. The subsidiaries of the Company are listed below. All the subsidiaries (except for Debenham Tewson & Chinnocks Inc. and Votraint No. 301 Pty. Limited) are private companies incorporated in England and Wales with their registered offices at Bancroft House, Paternoster Square, London EC4P 4ET. Debenham Tewson & Chinnocks Inc. is a private company incorporated in the state of New York; its principal place of business is at 450 Park Avenue, New York 10022. Votraint No. 301 Pty. Limited is a private company incorporated in the state of New South Wales; its registered office is at 60, Martin Place, Sydney, N.S.W. 2000 and it has applied to the Corporate Affairs Commission to be registered with the name Debenham Tewson Australia Proprietary Limited.

Debenham Tewson & Chinnocks Limited is a direct and wholly-owned subsidiary of the Company and each other subsidiary is wholly-owned by Debenham Tewson & Chinnocks Limited.

Name	*Issued and fully paid share capital*	*Date of incorporation*
Debenham Tewson & Chinnocks Limited	£2 divided into 2 shares of £1 each	15th August 1986
Debenham Tewson Management Services Limited	£2 divided into 2 shares of £1 each	6th November 1986
Debenham Tewson Limited	£2 divided into 2 shares of £1 each	15th August 1986
DT & C Limited	£2 divided into 2 shares of £1 each	15th August 1986
Debenham Tewson Residential Limited	£2 divided into 2 shares of £1 each	5th January 1987
Debenham Tewson Building Services Limited	£2 divided into 2 shares of £1 each	5th January 1987
Debenham Tewson Financial Services Limited	£2 divided into 2 shares of £1 each	20th March 1987
Legibus 937 Limited	£2 divided into 2 shares of £1 each	1st May 1987
Debenham Tewson & Chinnocks Inc.	US$10,000 divided into 100,000 shares of 10¢ each	7th August 1986
Votraint No. 301 Pty. Limited	A$1,000 divided into 1,000 shares of A$1 each	23rd January 1987

Each of Debenham Tewson & Chinnocks Limited, Debenham Tewson Limited, Debenham Tewson Residential Limited, Debenham Tewson Building Services Limited and Debenham Tewson & Chinnocks Inc.is engaged in the business of international property advisers. The business of Debenham Tewson Residential Limited relates specifically to advice given in relation to residential property and the business of Debenham Tewson Building Services Limited relates specifically to advice given in relation to building surveying. DT & C Limited is the trustee of The Debenham Tewson & Chinnocks Share Participation Scheme. The business of Debenham Tewson Management Services Limited is restricted to engaging and supervising staff whom DTC is required to employ on behalf of its clients in connection with the management of those clients' properties. Votraint No. 301 Pty. Limited was formed for the purpose of receiving the fees earned under the consultancy agreements made and proposed to be made with DTC's associated offices in Australia. Debenham Tewson Financial Services Limited has not traded. Legibus 937 Limited, which has resolved to change its name to Debenham Tewson Bahrain Limited, has not traded but from Admission will become a partner in the Firm and in DTCI pursuant to the deed referred to in sub-paragraph 3(E) above.

5. Memorandum and Articles of Association

The memorandum of association of the Company provides that the Company's principal objects are to carry on the business of a holding company. The objects of the Company are set out in full in clause 4 of the memorandum of association which is available for inspection at the address specified in paragraph 19 below.

The articles of association of the Company contain provisions, inter alia, to the following effect:—

(a) **Voting**
Subject to disenfranchisement in the event of non-payment of calls or non-compliance with a statutory notice requiring disclosure as to beneficial ownership, and subject to any special terms as to voting on which any shares may be held, at a general meeting every member present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for every ordinary share held by him.

(b) **Variation of Rights and Alteration of Capital**
(i) All or any of the rights or privileges attached to any class of share may, subject to the Act, be varied either with the consent in writing of the holders of at least three fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class but not otherwise.
(ii) The Company may by ordinary resolution increase its share capital, consolidate all or any of its shares into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.
(iii) Subject to the provisions of the Act the Company may:—
(1) by special resolution reduce its share capital, any capital redemption reserve and any share premium account;
(2) issue any shares on terms that they are, or at the option of the Company are liable, to be redeemed; and
(3) with the sanction of an extraordinary resolution passed at a separate meeting of the holders of any class of convertible shares, purchase its own shares (including any redeemable shares).

(c) **Transfer of Shares**
The instrument of transfer of a share shall be in any usual form or such other form as shall be approved by the directors and must be lodged at the registered office of the Company for the time being or at such other place as the directors may appoint. The instrument of transfer of a share shall be executed by or on behalf of the transferor and, unless the share is fully paid, by the transferee. The directors may in their absolute discretion and without assigning any reason therefor refuse to register any transfer of a share which is not fully paid. The articles do not contain any pre-emption rights and contain no restrictions on the free transferability of fully paid shares provided that the relative transfer is in favour of not more than four transferees and is in respect of only one class of shares.
The registration of transfers may be suspended by the directors for a period not exceeding 30 days in any year.

(d) **Directors**
(i) A director shall not vote or be counted in the quorum on any resolution in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has any material interest other than as a holder of shares, debentures or other securities of or otherwise in or through the Company provided that a director shall be entitled to vote and be counted in the quorum in circumstances where the resolution relates to:—
(a) the giving to him of any security or indemnity in respect of money lent to or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
(b) the giving to a third party of any security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
(c) a proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
(d) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights in that company;
(e) to the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which either relates to both employees and directors or has been approved, or is conditional upon approval by the Board of Inland Revenue for taxation purposes and which does not accord to any director as such any privilege or advantage not accorded to the employees to which such fund or scheme relates; or
(f) any scheme for enabling employees, including full-time executive directors, to acquire shares in the Company or any arrangement for the benefit of employees under which the director benefits in a similar manner as the employees.
(ii) The maximum aggregate fees available to be distributed to the directors in any year are £100,000, or such other annual sum as is decided on by the Company in general meeting (such sum to be allocated between the directors as they may agree, or failing agreement equally).
(iii) The remuneration of any chief executive or executive director of the Company shall, subject as provided in any contract between him and the Company, be such as the directors may from time to time determine, and may include the making of provision for the payment to him, his widow or other dependants of a pension on retirement from the office or employment to which he is appointed and for participation in pension and life assurance benefits or other such benefits upon such terms as the directors determine.
(iv) The directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them in or about the performance of their duties as directors, including any expenses incurred in attending meetings of the board or of committees of the board or general meetings, and, if in the opinion of the directors it is desirable that any of their number should make special journeys or perform any special services on behalf of the Company or its business, such director or directors may be paid such reasonable additional remuneration and expenses therefor as the directors may from time to time determine.
(v) No director shall be incapable of being appointed a director by reason of his having attained the age of seventy and no director shall be required to retire as such for that reason.
(vi) A director shall not require a share qualification.
(vii) Unless otherwise determined by the Company in general meeting, the number of directors shall not be less than 4.

(e) **Borrowing Powers**
The Directors may exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking and property both present and future (including uncalled capital) and to issue debentures, debenture stock or other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

(f) **RICS**
It is the duty of the directors to ensure that any business of surveying for the time being carried on by the Company is conducted at all times in accordance with the rules of conduct of the Royal Institution of Chartered Surveyors.

(g) **Dividends and Distribution of Assets on Liquidation**
The holders of the Ordinary Shares are entitled *pari passu* amongst themselves, but in proportion to the number of shares held by them and to the amounts paid up or credited as paid up thereon during any portion of the period in respect of which the dividend is paid, to share in the whole of the profits of the Company paid out as dividends and in the whole of any surplus in the event of the liquidation of the Company.

(h) **Unclaimed Dividends**
Any dividend unclaimed after a period of 12 years from its date of declaration shall be forfeited and shall revert to the Company.

(i) **Pensions and Gratuities**
The directors may exercise all the powers of the Company to provide or pay pensions, annuities, gratuities or superannuations or other allowances or benefits to, and may establish, maintain, support, subscribe to and contribute to schemes, trusts and funds for the benefit of, any director, ex-director, employee or ex-employee of the Company or any of its subsidiaries or of the firms of Debenham Tewson & Chinnocks and Debenham Tewson or any wife, widow, children, or other relatives or dependants of any such person.

(j) **Untraced Shareholders**
The Company may sell any shares in the Company of a member if, during a period of 12 years, no cheque or warrant addressed to the member has been cashed and the Company gives notice in both a leading London daily newspaper and in a newspaper circulating in the area of the member's address of its intention to sell and also gives notice to The Stock Exchange accordingly.

6. Directors' and other Interests

(A) The interests of the Directors in Ordinary Shares immediately following the Offer for Sale (as they will appear in the register of directors' interests maintained under the provisions of section 325(2) of the Companies Act 1985) are as follows:—

Number of shares held following the Offer for Sale

	Beneficial Interests	Non-Beneficial Interests	%
R. N. Lay	883,393	NIL	3.26
G. A. T. Turnbull	832,255	2,559	3.08
D. M. Butler	896,406	6,678	3.33
S. J. Howard	804,885	4,452	2.99
P. W. Jones	953,034	145,252	4.05
J. S. Sadler	2,500	NIL	0.01
D. R. Sayer	905,311	NIL	3.34
D. G. Steventon	975,982	NIL	3.60
K. E. Way	883,395	NIL	3.26
S. J. Webster	952,023	NIL	3.51

The above non-beneficial interests each relate to the interests of the Directors (or their respective spouses) as trustees of trusts established for the benefit of their respective children or those of other DTC Directors.

In addition to their non-beneficial interests shown above, R. N. Lay and G. A. T. Turnbull have a joint non-beneficial interest in 650,160 Ordinary Shares (which will be increased to 866,880 Ordinary shares following the capitalisation issue referred to in paragraph 2(J)(e) above) deriving from their directorships of DT & C Limited, the trustee of The Debenham Tewson & Chinnocks Share Participation Scheme.

(B) Save as disclosed above, none of the Directors has any interest in the share capital of the Company or any of its subsidiaries. None of the DTC Directors and their immediate families will be applying for shares in the Offer for Sale.

(C) The Directors are not aware of any shareholding which, following the Offer for Sale, will represent five per cent. or more of the Company's issued share capital or of any other persons who, following the Offer for Sale, could directly or indirectly, jointly or severally, exercise control over the Company.

(D) Save as disclosed in paragraph 16 below, no Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which (i) were effected by any member of the Group during the current financial year or during the twelve months from 1st May 1986 to 30th April 1987, or (ii) were effected by any member of the Group during any earlier period and remain in any respect outstanding or unperformed.

(E) The DTC Directors may be considered to be promoters of the Company. Each of the DTC Directors is (until Admission) a partner of one or both of the firms of Debenham Tewson & Chinnocks and Debenham Tewson. The consideration paid to those firms respectively for the transfer of their businesses to subsidiaries of the Company on 30th April 1987 is set out in paragraphs 3(A) and (B) above. In addition ordinary shares and loan stock (subsequently converted into ordinary shares) were issued to the DTC Directors by the Company and each of them has, since 1st May 1987, been paid a salary pursuant to his service contract with Debenham Tewson & Chinnocks Limited. Schedules showing the number of shares, the amount of loan stock issued and the annual rate of salary paid to each DTC Director are available for inspection as stated in paragraph 19 below. Save as aforesaid no payments or other benefits have been paid or given by the Company to the DTC Directors during the two years preceding the date of this document.

7. Directors Service Agreements

(A) On 1st May 1987 the Executive Directors each entered into service agreements with the Company's principal trading subsidiary, Debenham Tewson & Chinnocks Limited. Each of these service agreements is for a fixed term of 3 years and continues thereafter unless terminated by Debenham Tewson & Chinnocks Limited or the Director by giving not less than 6 months' written notice expiring on or after 30th April 1990. Particulars of the service agreements of the Directors are as follows:—

Current Salary (inclusive of Directors' fees)	£
R. N. Lay	60,000
G. A. T. Turnbull	60,000
D. M. Butler	55,000
S. J. Howard	50,000
P. W. Jones	55,000
D. R. Sayer	55,000
D. G. Steventon	50,000
K. E. Way	60,000
S. J. Webster	50,000

In addition to his fixed salary, each executive Director is entitled under his service agreement to participate in the existing bonus arrangements for the DTC Directors. These provide for the payment to each DTC Director of a sum from a bonus pool. If and to the extent that the earnings per share (calculated before charging bonuses paid to DTC Directors and contributions to the share participation scheme) for any financial year represents an increase of 30 per cent. or more over the earnings per share (prior to such charges) for the immediately preceding financial year an amount equal to 47.5 per cent. of that increase multiplied by the average number of shares in issue for the purposes of calculating earnings per share for that financial year shall be allocated to the bonus pool. Bonuses will only be payable if the compound increase in earnings per share (prior to such charges) over the immediately preceding three financial years exceeds an average of 20 per cent. per annum. For the financial years ending 30th April 1988, 30th April 1989 and 30th April 1990 respectively the compound increase in earnings per share will be calculated using the figures for the appropriate financial years as shown in the Accountants' Report. The sum paid to each DTC Director in each year from the bonus pool is based upon the proportion which his fixed salary for that year bears to the aggregate of the fixed salaries payable to DTC Directors in respect of that year. In addition to his fixed salary and the bonus referred to above, each DTC Director is entitled to an allowance if he is required under his service agreement to work full time outside the United Kingdom.

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(B) Save as disclosed above there are no existing or proposed service agreements between any of the Directors and the Company or any of its subsidiaries.

(C) The aggregate remuneration of, and benefits in kind which would have been granted to, the Directors during the year ended 30th April 1987 had the present arrangements and existing corporate structure then been in force would, on the basis set out in to the Accountants' Report, have amounted to £708,307 (including bonus). The aggregate amount of the remuneration and benefits in kind of the Directors for the financial year ending 30th April 1988 is expected to amount to £641,477 (excluding bonus).

8. Employee Participation

(A) The Debenham Tewson & Chinnocks 1987 Executive Share Option Scheme

The Company adopted the Debenham Tewson & Chinnocks 1987 Executive Share Option Scheme ("the Option Scheme") on 20th March 1987 and the Option Scheme was approved by the Inland Revenue under the Finance Act 1984 on 6th May 1987. The Option Scheme extends to the Company and its subsidiaries. On 28th May 1987 options over 996,000 Ordinary Shares of 1p each were granted at an exercise price of 50p (subject to adjustment as referred to in sub-paragraph 2(M) above). The Board of Directors has the right at any time to alter or add to all or any of the provisions of the Option Scheme, with the prior approval of the Inland Revenue and (in respect of certain provisions) with the prior approval of the members of the Company in general meeting. The principal features of the Option Scheme (the terms of which are set out in the Rules of the Option Scheme as amended by the Board of Directors on 30th April 1987 and, subject to the approval of the Inland Revenue and conditional upon Admission, on 16th July 1987 which are available for inspection at the address mentioned in paragraph 19 below) are as follows:—

(a) Full-time directors (that is those directors who are required under the terms of their directorship or employment to devote at least 25 hours per week to their duties) and qualifying employees (that is those employees who are required under the terms of their employment to do at least 20 hours work per week) may be offered options to acquire shares in the Company. A *person who has subsisting rights under an option granted under the* Scheme is referred to as a "Participant".

(c) Options are granted under seal. Options may only be granted within the *period of 6 weeks following the announcement by the Company of its* annual or half-yearly results.

(b) The price per share at which an option will be exercisable will be not less than the higher of (i) the middle market quotation of a share as derived from *The Stock Exchange Daily Official List (or, if the shares are not quoted on* The Stock Exchange at the time of grant, the market value as agreed with the Shares Valuation Division of the Inland Revenue) on a dealing day not more than 30 days prior to the date of grant and (ii) the nominal value of a share.

(d) No person may be granted an option which would cause the aggregate market value of the shares for which he might subscribe in pursuance of the options he held to exceed four times the amount of his remuneration.

(e) The Option Scheme is subject to the following limits:—

(i) The number of shares which may be issued under the Option Scheme on any day shall not, when aggregated with the number of shares issued or issuable on the exercise of options granted under the Option Scheme prior to that day, exceed 2,880,000 representing 10 per cent. *of the ordinary share capital in issue following the Offer for Sale.*

(ii) In any 10 year period commencing on or after 1st July, 1987 the number of shares which may be issued under the Option Scheme on any day shall not, when aggregated with the number of shares issued or issuable on the exercise of options granted under the Option Scheme after 1st July 1987 exceed 5 per cent. of the issued ordinary share capital of the Company from time to time.

(iii) In any 3 year period commencing on or after 1st July 1987, the number of shares issued or issuable on the exercise of options granted under the Option Scheme in the same period shall not when aggregated with the number of shares issued or issuable on the exercise of options granted in the same period or issued in the same period (otherwise than on the exercise of options) under in any such case any other employees' share scheme adopted by the Company, exceed 3 per cent. of the issued ordinary share capital of the Company from time to time.

(f) An option will normally be exercisable by a Participant at any time between the third and tenth anniversaries of grant. If an option holder ceases to be a director or employee of the Company or of any other company to which the Option Scheme extends by reason of injury, disability, redundancy or retirement the option may be exercised within 6 months thereafter. If an option holder dies, his personal representatives may exercise the option within 12 months thereafter. If an option holder ceases to be an employee or director of the Company or of a company to which the Option Scheme extends for any reason other than those mentioned above the option may if the Board of Directors permits be exercised within 6 months therafter. In the event of a takeover, or reconstruction of the Company, outstanding options may be exercised.

(g) Options are not transferable.

(h) Shares allotted under the Option Scheme will rank *pari passu* with shares of the same class for the time being in issue save as regards any rights attaching to such shares by reference to a record date preceding the date of allotment. Application will be made to the Council of The Stock Exchange for such shares to be admitted to the Official List.

(i) In the event of any increase or variation of the share capital of the Company, the Board may make adjustments to such matters as the number of shares in respect of which any option may be exercised or the price at which shares may be acquired pursuant to the exercise of an option or the number of shares referred to in sub-paragraph (e)(i) above, subject to prior approval of the Inland Revenue and (except in the case of a capitalisation issue) confirmation from the auditors that the adjustments are fair and reasonable.

(B) The Debenham Tewson & Chinnocks Share Participation Scheme

The Company adopted the Debenham Tewson & Chinnocks Share Participation Scheme ("the Share Participation Scheme") on 20th March 1987. The Share Participation Scheme was extended to Debenham Tewson & Chinnocks Limited on 30th April 1987 and was approved by the Inland Revenue under the Finance Act 1978 on 22nd May 1987. The Partners (as defined in sub-paragraph 2(C) above) transferred an aggregate of 650,160 Ordinary Shares of 1p each to the trustee of the Share Participation Scheme at various dates on or before 29th May 1987 and such Shares were appropriated by the trustee under the Share Participation Scheme on 11th June 1987. The Board of Directors has the right at any time to alter or add to all or any of the provisions of the Share Participation Scheme, with the prior approval of the Inland Revenue and (in respect of certain provisions) with the prior approval of the members of the Company in general meeting. The principal features of the Share Participation Scheme (the terms of which are set out in the Rules of the Share Participation Scheme as amended by the Board of Directors on 14th May 1987 and, subject to the approval of the Inland Revenue and conditional upon Admission, on 16th July 1987 and in the trust deed executed on 14th May 1987, which are available for inspection at the address mentioned in paragraph 19 below) are as follows:—

(a) *All full time directors and employees resident and ordinarily resident in the* United Kingdom (that is those directors or employees who are obliged to devote not less than 25 hours a week to the performance of their duties) of the Company or any of its subsidiaries to which the Share Participation Scheme extends who were employed at the end of the last accounting period preceding any date on which the trustees appropriate shares pursuant to the Share Participation Scheme will be eligible to participate in the Scheme.

(b) The Board may in its discretion decide to operate the Scheme once in each financial year following the announcement of the final results.

The Board will decide in any year the total amount of profit to be contributed by the Company and subsidiaries to which the Share Participation Scheme extends to the trustee for the acquisition of shares in the Company to be appropriated to participating employees.

The aggregate amount to be allocated to the trustees in any calendar year must not exceed 5 per cent. of the Group's profits (before taxation and excluding extraordinary items) for the relevant accounting period. Once the trustee has notified the Company that it has applied the amounts paid to it in the acquisition of shares in the Company, the Board of Directors will direct it to appropriate shares to every individual who is eligible and who has applied to participate in the Scheme.

Participating employees' allocations may be in proportion to the level of their salary or may be determined on any other basis approved by the Inland Revenue, subject to a maximum statutory value, currently 10 per cent. of the greater of an individual's salary in the current and in the preceding year or £1,250 if more, but subject to a maximum of £5,000.

(c) The subscription price for any shares subscribed for by the trustee in any year must not be less than the middle market quotation of a share (as derived from The Stock Exchange Daily Official List) on the dealing day prior to the date on which the shares are issued (which must not fall before the date the Company announces its final results for the accounting period in question).

All shares subscribed for and allotted under the Scheme will rank *pari passu* with the shares of the same class for the time being in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment). Application will be made to the Council of The Stock Exchange for such shares to be admitted to the Official List.

(d) In order to comply with the provisions of the Finance Act 1978, eligible employees to whom shares are appropriated by the trustee must have entered into a contract with the Company to permit their shares to remain in the trustee's hands throughout the period of 2 years following the date of appropriation. During this period the shares may not be sold except in certain exceptional circumstances, such as death, disability, injury, retirement or redundancy. At any time after this period has expired, the trustee may be instructed to sell or transfer the shares to the participating employee.

(e) The Scheme is subject to the following limits:

(i) The number of shares which may be issued under the Share Participation Scheme on any day shall not when aggregated with the number of shares which shall have been so issued prior to that day exceed 2,880,000 representing 10 per cent. of the ordinary share capital in issue following the Offer for Sale.

(ii) The number of shares which may be issued to the trustee under the Share Participation Scheme in any calendar year may not exceed 1 per cent. of the share capital then in issue.

(iii) In any 3 year period commencing on or after 1st July 1987, the number of shares which may be issued under the Share Participation *Scheme shall not, when aggregated with the number of shares issued* or issuable on the exercise of options granted in the same period or issued in the same period (otherwise than on the exercise of options) under in any such case any other employees share scheme adopted by the Company, exceed 3 per cent. of the issued ordinary share capital of the Company from time to time.

9. Offer for Sale Agreement

(A) By an agreement ("the Offer for Sale Agreement") dated 17th July, 1987 between the Company (1) the Directors (2) the Partners (as defined in sub-paragraph 2 (C) above) (3) the vendors named in the Offer for Sale Agreement ("the Vendors") (4) and Kleinwort Benson Limited ("Kleinwort Benson") (5), Kleinwort Benson has agreed, conditionally upon, *inter alia*, Admission, to offer (as agent for the Vendors) a total of 4,476,912 Ordinary Shares for sale to the public and (as agent for the Company) 2,294,118 Ordinary Shares for subscription by the public, in each case at the Offer for Sale price of 170p per share, and to procure purchasers of or subscribers for any of such shares in respect of which no valid application is received, for a commission payable by the Company and the Vendors (in their respective proportions) of 2 per cent. on the aggregate value of such shares at the Offer for Sale price (plus VAT where applicable) out of which Kleinwort Benson will pay a sub-underwriting commission of 1¼ per cent. on such aggregate value together with a fee to Cazenove & Co. The Company has also agreed to pay the costs and expenses of the Offer for Sale, including a fee to Kleinwort Benson and all costs and expenses of and incidental to the application to the Council of The Stock Exchange for admission to the Official List, capital duty, public relations consultants' fees, registrars' fees, receiving bankers' fees, all printing, advertising and distribution expenses and all legal and accountancy expenses of the Company and Kleinwort Benson, except for any stamp duty reserve tax and/or stamp duty payable on the transfer of Ordinary Shares by the Vendors pursuant to the Offer for Sale Agreement, which will be payable by the Vendors.

(B) The Offer for Sale Agreement also contains inter alia:—

(i) representations, warranties and indemnities given by the Vendors, the Directors, the Partners and the Company to Kleinwort Benson;

(ii) indemnities as to certain taxation matters given by the Partners to the Company and its subsidiaries; and

(iii) provisions which permit the Offer for Sale Agreement to be terminated by Kleinwort Benson in certain circumstances prior to Admission

(C) The Vendors have undertaken that they will not dispose of any Ordinary Shares (other than Ordinary Shares to be sold pursuant to the Offer for Sale Agreement) to any person other than persons connected with them on or before 16th January 1989 and will only so dispose of Ordinary Shares during the eighteen months following that date with the prior consent of Kleinwort Benson.

(D) There are set out below the number of the Ordinary Shares which the DTC Directors will sell pursuant to the Offer for Sale Agreement (the number of shares set against the name of each DTC Director including shares to be sold by his children or trustees of family trusts):—

	Number of Shares
R. N. Lay	139,825
H. J. K. Bagnall-Oakeley	134,496
C. R. Vaughan	118,504
G. A. T. Turnbull	134,496
K. E. Way	142,323
P. W. Jones	154,620
D. M. Butler	145,854
D. R. Sayer	145,854
S. J. Howard	130,393
D. G. Steventon	157,240
M. J. Edmunds	70,640
S. J. Webster	153,380
J. A. C. Roberts	129,200
K. M. Stockdale	129,200
C. F. J. Foster	62,113
P. W. G. Egerton-Smith	102,483
R. M. Houslop	104,842
F. M. Eul	97,260
R. H. H. Peto	105,382
C. L. J. Wood	97,243
J. R. H. Moore	97,561
D. C. Watt	97,561
J. D. Rigg	72,467
P. J. Gray	72,467
P. B. Kelly	27,210
P. J. Braithwaite	47,122
P. W. Hill	49,576
M. D. Struckett	49,576
T. W. Smyth	38,140
J. A. N. Heawood	26,700
R. J. Jones	26,700
P. H. Evans	22,890
A. J. Stewart	22,890
D. J. Burgess	14,967

In addition Ordinary Shares will be sold pursuant to the Offer for Sale Agreement as follows:—

	Number of Shares
R. B. Caws	287,592
G. C. Grover	262,160
D. R. H. James	5,985
The trustees of the Debenham Tewson & Chinnocks Retirement Plan	800,000

A schedule setting out in full the names of the Vendors and the number of Ordinary Shares to be sold by them in the Offer for Sale is available for inspection as mentioned in paragraph 19 below.

10. Premises

The principal properties owned or occupied by the Group are as follows:—

Property	Location	Area (Square feet)	Tenure	Current Annual Rental (£)	Next Review Date
Bancroft House	Paternoster Square London EC4	11,550	Leasehold 29.9.1980 to 28.9.2000	250,000	29th September 1990
40-46 Brook Street	40-46 Brook Street London W1	18,162	Various leaseholds with unexpired terms of between 5 years 2 months and 17 years 8 months*	332,300	Various dates between 4th August 1988 and 25th March 1990
75 Davies Street	75 Davies Street London W1	13,000	Leasehold 25.3.1985 to 24.3.2010	243,500	25th March 1990

*A Reversionary Underlease exists in respect of 44 Brook Street granting a further term from 25th September 1992 until 23rd June 2050 at £1 per annum subject to a premium payment of £415,350 payable by 26 equal quarterly instalments commencing on 24th June 1986 and ending on 24th June 1992.

11. Taxation

(A) The Directors have been advised that following completion of the Offer for Sale the Company will not be a close company within the meaning of the Income and Corporation Taxes Act 1970.

(B) Clearance has been received from the Inland Revenue under the provisions of section 464 of the Income and Corporation Taxes Act 1970 in respect of the transactions involved in the Offer for Sale.

(C) When paying a dividend, the Company is required to account to the Inland Revenue for advance corporation tax ("ACT") at a rate which is currently 27/73rds of the dividend paid. UK resident shareholders are entitled to a tax credit in relation to the dividend received of an amount equal to the ACT paid by the Company on the dividend. For an individual UK resident shareholder, the tax credit satisfies his liability to basic rate tax in respect of the dividend and the tax credit. A repayment of tax from the Inland Revenue is made to the shareholder to the extent that, because of personal allowances or other reliefs, there is no liability to tax on the dividend. UK resident corporate shareholders are not normally liable to corporation tax on dividends received and they may, in general use the tax credit to set against their own liability to account for ACT on dividends declared by them in the same (or subsequent) accounting periods.

Whether holders of shares in the Company who are resident in a country other than the UK are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between such country and the UK. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming payment and what relief or credit may be claimed for such tax credit in the jurisdiction in which they are resident.

(D) Information concerning liability to stamp duty and stamp duty reserve tax in connection with the Offer for Sale is set out in the section headed "Basis of Acceptance and Dealing Arrangements".

12. Financial Information

The financial information contained in this prospectus does not amount to full accounts within the meaning of section 254 of the Act. Full audited accounts of Debenham Tewson & Chinnocks Limited, Debenham Tewson Limited and D T & C Limited (in each case from their respective dates of incorporation to 30th April 1987 during which period they did not trade) have been delivered to the registrar of companies in England and Wales. Touche Ross & Co. Chartered Accountants of Hill House, 1 Little New Street, London EC4A 3TR have made a report under section 236 of the Act in respect of each such set of accounts, and each report was an unqualified report as defined in section 271 of the Act. The other members of the Group (including the Company) have not produced annual accounts since incorporation.

13. Significant Changes

There has been no significant change in the financial or trading position of the Group since 30th April 1987.

14. Working Capital

The Directors consider that, having regard to the bank facilities available and the net proceeds of the Offer for Sale receivable by the Company, the Group has sufficient working capital for its present requirements.

15. Litigation

Neither the Company nor any of its subsidiaries is engaged in any legal or arbitration proceedings and, with the exception of the matter referred to in sub-paragraph 3(J) above, no legal or arbitration proceedings are known to the Directors to be pending or threatened against the Company or any of its subsidiaries which may have, or have had during the 12 months prior to the date hereof, a significant effect on the Group's financial position.

16. Material Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company or its subsidiaries or the Firm within the two years immediately preceding the date of this document and are, or may be, material:—

(i) the agreements transferring respectively substantially all the business of the Firm and the business of DT referred to in sub-paragraphs 3(A) and 3(B) above;

(ii) the deed referred to in sub-paragraph 3(E) above;

(iii) (a) an agreement dated 31st March 1987 made between the partners of the Firm (1) Debenham Tewson & Griffiths Pty. Limited (2) and Debenham Tewson & Griffiths (Eastern) Pty. Limited (3) for the provision of consultancy services by the Firm to such companies in connection with the operation of DTC's associated offices in Melbourne;

(b) an agreement dated 31st March 1987 between the partners of the Firm (1) and Debenham Tewson & City Valuers Pty. Limited (2) for the provision of consultancy services by the Firm to such company in connection with the operation of DTC's associated office in Singapore;

(c) an agreement dated 29th April 1987 made between the partners of the Firm (1) and Debenham Tewson & Winssinger S.A. (2) for the provision of consultancy services by the Firm to such company in connection with the operation of DTC's associated office in Brussels;

(d) an agreement dated 1st May 1987 made between the partners of the Firm (1) and Mr. L. H. C. Tam (2) for the provision of consultancy services by the Firm to Mr. Tam in connection with the operation of DTC's associated office in Hong Kong;

(e) letter dated 3rd October 1983 from Mr. R. B. Caws on behalf of the Firm to Mr. C. R. De La Hogue Moran, letter dated 1st May 1987 from Mr. D. R. Sayer on behalf of Debenham Tewson & Chinnocks Limited to Mr. Moran and letter dated 11th May 1987 from Mr. Moran to Mr. Sayer, together setting out the terms of the consultancy agreement between Debenham Tewson & Chinnocks Limited and Mr. Moran in connection with the operation of DTC's associated office in Hamburg;

(f) the agreement and the supplemental agreement relating to DTC's associated office in Malaysia referred to in sub-paragraph 3(J) above.

(g) deeds of assignment each dated respectively 10the July 1987 made (in each case) between the partners of the Firm (1) and Debenham Tewson & Chinnocks Limited (2) assigning the rights and liabilities of the Firm in respect of the Agreements referred to in sub-paragraphs (iii)(b), (c) and (d) above respectively to (in each case) Debenham Tewson & Chinnocks Limited;

(iii) the agency agreements referred to in sub-paragraphs 3(C) and (D) above

(iv) the Offer for Sale Agreement described in paragraph 9 above.

17. Consents

(A) Touche Ross & Co. have given and have not withdrawn their written consent to the issue of this prospectus with the inclusion herein of their Report in the form and context in which it is included.

(B) Lane Clark & Peacock have given and have not withdrawn their written consent to the issue of this prospectus with the inclusion herein of the reference to their actuarial report in the form and context in which it is included.

18. General

(A) The Directors consider that the Group maintains insurance cover at a level which is reasonable having regard to the nature of its business.

(B) Each dividend on the Ordinary Shares will be paid by the Registrars of the Company as paying agents to those holders of Ordinary Shares on the register of members on the record date for such dividend. Such record date will normally be approximately six weeks before the date of payment.

(C) The Offer Price of 170p per share represents a premium of 165p over the nominal value of 5p of the Ordinary Shares of the Company.

(D) It is expected that renounceable letters of acceptance will be posted on 29th July 1987 to successful applicants under the Offer for Sale. Dealings are expected to commence on 30th July 1987. Ordinary Shares now being offered will be registered free of registration fees in the names of successful applicants or the persons in whose favour renounceable letters of acceptance are duly renounced provided that, in cases of renunciation, renounceable letters of acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration by 3 p.m. on 28th August 1987 whereupon the Ordinary Shares will be in registered form. Share certificates will be despatched by first class post not later than 23rd September 1987.

(E) During the past three years the main investments of the Group have been in additional personnel, office premises and computer systems, financed by bank borrowings and capital contributions made by Partners.

(F) The aggregate of the expenses which it is estimated will be incurred by the Company in connection with the Offer for Sale is £1.1 million, including payments to financial intermediaries of £258,000. In addition, the financial intermediaries will receive a commission of £152,000 from the Vendors.

(G) There have been no interruptions in the Group's business which may have or have had a significant effect on the financial position of the Group during the last 12 months.

(H) A copy of this prospectus, which comprises the listing particulars with regard to the Company required by the listing rules made under the Financial Services Act 1986 has been delivered to the registrar of companies in England and Wales for registration in accordance with section 149 of that Act.

19. Documents for Inspection

Copies of the following documents may be inspected at the offices of Clifford Chance, Blackfriars House, 19 New Bridge Street, London EC4V 6BY during usual business hours on any weekday, Saturdays and public holidays excepted, for a period of 14 days following the date of publication of this prospectus:—

(i) the memorandum and articles of association of the Company;

(ii) the accounts of the partnerships of Debenham Tewson & Chinnocks and Debenham Tewson for the two years ended 30th April 1987 and the accounts of Debenham Tewson & Chinnocks Inc. for the four months ended 30th April 1987;

(iii) the Accountants' Report and the statement of adjustments relating thereto;

(iv) the service agreements referred to in paragraph 7 above;

(v) the rules of the Executive Share Option Scheme and Share Participation Scheme referred to in paragraph 8 above and the trust deed constituting the Share Participation Scheme;

(vi) the material contracts referred to in paragraph 16 above;

(viii) the written consents referred to in paragraph 17 above;

(ix) the list of Vendors referred to in paragraph 9 above;

(x) the actuarial report of Lane Clark & Peacock referred to in note 5.15 of the Accountants' Report; and

(xi) the schedules of promoters' benefits referred to in paragraph 6(E) above.

17th July 1987

Terms and Conditions of Application

(1) Except where the context otherwise requires, words and expressions defined in the prospectus dated 17th July 1987 ("the Prospectus"), comprising listing particulars with regard to Debenham Tewson & Chinnocks Holdings plc ("the Company"), have the same meanings in these terms and conditions and in the application forms. The Procedure for Application and Basis of Acceptance and Dealing Arrangements sections form part of these terms and conditions.

(2) The shares comprised in the Offer for Sale consist of 2,294,118 Ordinary Shares ("Subscription Shares") offered on behalf of the Company for subscription and 4,476,912 Ordinary Shares ("Vendors' Shares") offered on behalf of the Vendors for sale. Shares allocated to each successful applicant will comprise Subscription Shares and Vendors' Shares in the proportion which 2,294,118 bears to 4,476,912. For the purposes of the Offer for Sale Kleinwort Benson is acting as the agent of the Company and of each of the Vendors.

(3) The contract arising from each acceptance of an application will be conditional upon the whole of the ordinary share capital of the Company, issued and now being issued, being admitted to the Official List of The Stock Exchange and such admission becoming effective in accordance with the Rules and Regulations of The Stock Exchange by not later than 7th August 1987.

(4) Kleinwort Benson reserves the right to reject in whole or in part or to scale down any application, and in particular multiple or suspected multiple applications, and to present for payment any cheques or banker's drafts received. Application moneys received will be kept by National Westminster Bank PLC in a separate bank account. If the condition as to admission is not satisfied or if any application is not accepted in whole or in part or is scaled down, the application moneys or, as the case may be, the balance thereof will be returned (without interest) to the applicant by returning the applicant's cheque or banker's draft or by sending a crossed cheque in favour of the applicant through the post at the risk of the person(s) entitled thereto.

(5) By completing and delivering an application form, you (as the applicant(s)).

(a) offer to acquire the number of Ordinary Shares specified in your application form (or such smaller number for which the application may be accepted) at the Offer Price on and subject to these terms and conditions and subject to the Prospectus and the memorandum and articles of association of the Company;

(b) authorise National Westminster Bank PLC to send a letter of acceptance for the number of Ordinary Shares for which your application is accepted and a crossed cheque for any moneys returnable, by ordinary post, at your risk to your address (or that of the first-named applicant) as set out in your application form and to procure that your name (together with the name(s) of any joint applicant(s)) is/are placed on the register of members of the Company as the holder(s) of such Ordinary Shares the entitlement to which has not been duly renounced.

(c) agree that, in consideration of Kleinwort Benson agreeing to be bound by the terms of the Offer for Sale Agreement, your application may not be withdrawn until after 1st August, 1987 and that this paragraph shall constitute a separate contract between you and Kleinwort Benson which will become binding upon despatch by post to or receipt by National Westminster Bank PLC of your application form;

(d) warrant that your remittance will be honoured on first presentation;

(e) agree that all applications, acceptances of applications and contracts resulting therefrom shall be governed by, and construed in accordance with, English law;

(f) warrant that, if you sign an application form on behalf of any other person or company, you have the authority to do so;

(g) agree that any letter of acceptance to which you may become entitled and any moneys returnable to you may be retained pending clearance of your remittance;

(h) warrant that you (and any principal of yours) have not issued, and will not issue, a depositary receipt in respect of any of the Ordinary Shares for which you are applying, and that you are not, and are not the nominees for, a person providing clearance services;

(i) agree that, in respect of those Ordinary Shares for which your application has been received and is not rejected, acceptance of your application shall be constituted by notification to The Stock Exchange of the basis of allocation;

(j) confirm that in making your application, you are not relying on any information or representation in relation to the Company or any of the Ordinary Shares not contained in the Prospectus and accordingly agree that neither Kleinwort Benson nor the Company nor the Vendors nor any person responsible solely or jointly for the Prospectus or any part of it shall have any liability for any information or representation not so contained.

(6) No person receiving a copy of the Prospectus or an application form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other legal requirements. Any person *outside the United Kingdom wishing to make an application hereunder must satisfy* himself as to full observance of the laws of any relevant territory in connection therewith, including the obtaining of requisite governmental and other consents, the observing of any other requisite formalities and the paying of any issue, transfer and other taxes due in such territory.

Availability of Prospectus and of Application Forms

Copies of the Prospectus, which will be published in the Financial Times on 20th July 1987 can be obtained until the Offer for Sale closes from:

Kleinwort Benson Limited
20 Fenchurch Street
London EC3P 3DB

Cazenove & Co.
12 Tokenhouse Yard,
London EC2R 7AN

Debenham Tewson & Chinnocks Holdings plc
44 Brook Street
London W1A 4NA

National Westminster Bank PLC
New Issues Department
PO Box No 79
2 Princes Street
London EC2P 2BD

and from the following branches of **National Westminster Bank PLC:**

LONDON
94 Moorgate
London EC2M 6XT

208 Piccadilly
London W1A 2DG

BIRMINGHAM
Colmore Centre
103 Colmore Row
Birmingham B3 3NS

BRISTOL
32 Corn Street
Bristol BS99 7UG

CARDIFF
117 St Mary Street
Cardiff CF1 1LG

LEEDS
8 Park Row
Leeds LS1 1QS

LIVERPOOL
22 Castle Street
Liverpool L69 2BE

MANCHESTER
55 King Street
Manchester M60 2DB

NEWCASTLE-UPON-TYNE
24 Mosley Street
Newcastle-upon-Tyne NE1 1YW

EDINBURGH
80 George Street
Edinburgh EH2 3DZ

GLASGOW
14 Blythswood Square
Glasgow G2 4AQ

Copies of the Prospectus may also be obtained from the registered office of the Company at Bancroft House, Paternoster Square, London EC4P 4ET for 14 days after the Ordinary Shares have been admitted to the Official List.

MANAGEMENT

Nestle

An iconoclast who inspired a classic regeneration

William Dullforce talks to the food group's chief executive

HELMUT MAUCHER is the burly German who has reanimated Switzerland's biggest multinational and the world's biggest food-processing concern. Nestle, it is commonly said, was a sleeping giant until he took over as managing director in 1981.

He thinks that view is unfair to his predecessors and stresses the continuity. His colleagues emphasise the depth of the impact one man has been able to make on a group which employs some 160,000 people spread across five continents.

From a superbly picturesque location at Vevey, a small vineyard-girdled town at the end of Lake Leman, Maucher presides over 370 factories at which coffee, cocoa, milk, meat, fish, vegetables, fruit and spices are frozen, chilled, dried, blended, roasted, packaged, bottled and canned. It is a SFr 38bn ($24bn) business.

For the record, in his first five years Nestle's sales increased by more than 70 per cent (but with the collapse of the dollar fell back by SFr 2bn in 1986). Its trading profit rose by 110 per cent, its cash flow grew by 113 per cent and consolidated net earnings climbed by 156 per cent to SFr 1.75bn more.

Maucher describes a classic regenerating operation. He rationalised, redefined jobs, decentralised further what by its very nature can only work as a decentralised group and pushed responsibility down the line. He introduced "more basics" to marketing.

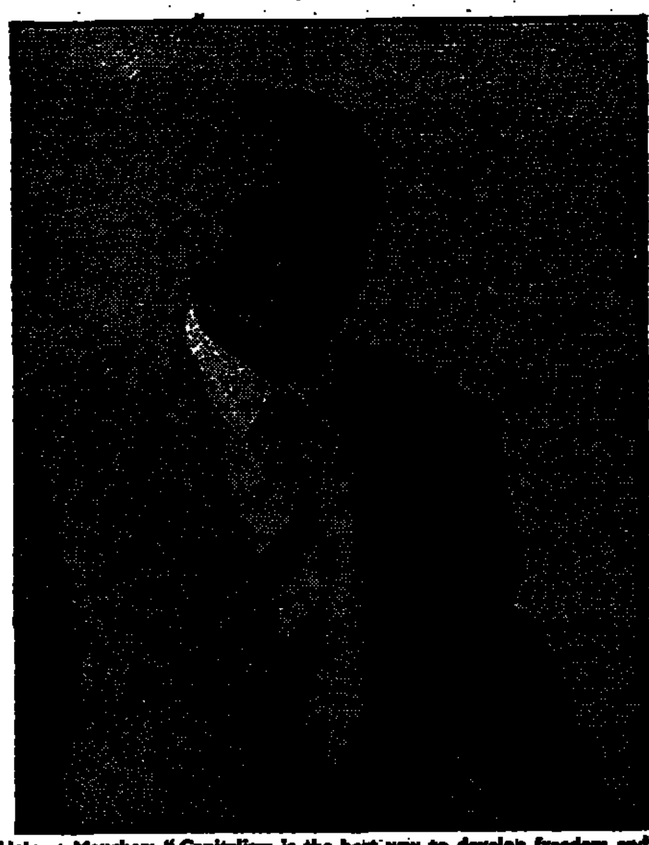
He injected flexibility into the administration and flattened the hierarchical pyramid. "We have easier access to the people we need to talk to and shorter reaction times. He cleaned up the bureaucracy," a manager explains.

Cost-cutting has been on a larger scale than the profit increase because, as Maucher emphasises, there has also been heavy investment in the future. Spending on marketing, management development and research has soared. In the 1970s one-third of the headquarters' budget went to research, the rest to administration: now research receives well over half and will absorb an increasingly larger share.

Once he had put the shop in order, Maucher embarked on a selling and buying spree, discarding the bits which had no synergy or which he did not expect to generate enough profit: the Libby operation in the US went, while moves into new product areas included roast coffee, which complements Nestle's dominance in the soluble coffee market. Above all, he paid $3bn for Carnation, the US foods group.

In retrospect the internal changes at Nestle have been dramatic. At the beginning of the decade it was an uneasy concern with deteriorating profitability, still suffering from the traumatic experience of having been labelled in the 1970s the company which killed babies by profit-obsessed promotion of infant foods in developing countries.

Now it is a confident group with a different geographical dimension, one-third of its business anchored in North America and one-third in Europe. After paying for Carnation in 1985, its cash position is again strong enough to make possible another acquisition of similar size. Most important, its sense of mission has been restored.



Helmut Maucher: "Capitalism is the best way to develop freedom and prosperity"

This transformation has been largely engineered by an unregenerate, if not completely profit-obsessed, capitalist. Maucher is perhaps the very model of a modern European industrialist, post-Thatcher, post-welfare state ethos. His current perch is in Switzerland but he has a vision of operating across a united Europe inside a truly single market.

Although he spent all his career before Vevey in Germany, it comes naturally to him to think and operate internationally and he has no fear of the Japanese (Nestle did SFr 2.6bn of business in Japan last year).

Born and raised in the Allgäu, on the other side of Lake Constance from Switzerland, Maucher descends from South German farmer stock. Hence, one might say, his down-to-earth, pragmatic approach to running a complex, diversified company. His language is precise, almost entirely free of American-style business jargon.

A bit of an iconoclast, he can launch into a tirade about "pseudo-intellectual marketing theories" and market researchers who "sit at desks, undertake complicated tests and think talking to customers is the job of dirty salesmen.

"We sell food to people who have to prepare it in the kitchen when they come home from work. It is much more important to make sure that the label is right, the nature of the product is clear, the instructions are precise, the warming-up time is accurate," Maucher explains.

More than half his time is spent on the road, visiting Nestle units round the globe. He meets political leaders and big retailers but he also makes a point of going into shops, to inspect products, packaging and advertising and to talk to shoppers. He is impressing on his managers by example the need "to keep in contact with the real world."

This "real world" figures large in Maucher's prescription for good management. Before taking his diploma in commerce at Frankfurt University, he started his career as an apprentice at the small Nestle factory in his hometown of Eisenharz.

Managers need a basic university training, Maucher acknowledges almost grudgingly, but they should begin working early. Starting at 30 is too late to get the right habits.

With retirement at 65 obligatory in Nestle, Maucher is just over halfway through his expected tenure. He is currently riding the top of the wave, analysts' criticism being limited mostly to mumbles about the wisdom of some of his diversifications—into petfoods for example.

In the backwash of the baby-food campaign against Nestle, doubts continue to be raised from time to time about the social propriety, even the morality, of entrusting so vital an operation as the processing of food to a multinational.

Maucher will have none of this. "I do not feel that I have to apologise three times a day because some people want to press me into a corner." Nestle, he says, takes the risks of developing and selling products to satisfy consumers' wants in a competitive world.

"If we are not competitive, we will go under. What is wrong with that? If you start questioning this, you are questioning private enterprise and capitalism and I do not question them. For me they are still the best way to develop as much freedom and prosperity as possible. It is a fantastic system."

Some public legislation is necessary "to avoid the negative side effects possible in everything mankind undertakes," he admits. But Nestle, he believes, is at the technological forefront in producing healthy food.

"If you want to feed properly a mass population in a modern industrialised society, you must have processed foods and we are putting a lot of research into ensuring their convenience, nutritional value and safety." Nestle has just inaugurated a new SFr 192m basic research centre with more than 400 employees.

Advances in process technology and concentration in food retailing mean that fresh food can be processed and put safely into the hands of consumers within 10 to 20 days. "There is an area of what you might call industrialised fresh food between produce from the garden and conserved products which offers great potential and into which I am pushing Nestle," Maucher says.

European agriculture is a subject on which his iconoclasm comes through. For him the European Community's farm budget problem is grossly exaggerated. The billions of Ecus spent on creating butter and meat mountains should be put into the perspective of Europe's Gross National Product, he argues.

"In Germany farms contribute 2.5 per cent of GNP. If you can keep farmers happy by paying them 25 per cent more, it would still take less than 0.5 per cent of an annual GNP growth of 2 to 3 per cent."

Payment should be direct, for improving the environment, maintaining the landscape and not through export subsidies. Farm produce should be left to find its market price. Farmers have yet to realise the potential for offering better quality produce to the processing industry, Maucher also contends.

Capitalist and free marketeer by principle he may be, but his pragmatism leads him into inconsistencies. Although Nestle processes some 10 per cent of the world coffee and cocoa crops, his views on commodity prices are unexpected.

"It is ridiculous to force down prices, make it impossible for countries to pay their debts and then have to send them billions in aid. I am very much in favour of agreements that give developing countries a fair share and stabilise prices," he says.

International commodity agreements, however, have been resounding failures. Discord and over-production on the producers' side is one cause, Maucher agrees, but he also blames the "horse-trading" attitudes among the buyers. The problem, he implies, lies with some American buyers. "There is such a built-in Chicago (commodity exchange) mentality that they do not see their long-term interests."

Unemployment also calls out the unexpected in Maucher. "Somebody like me or an economy minister loses sensitivity to the poor guy who is without work, because we operate with figures and ratios. Sometimes you must ignore the figures and think of the individuals."

In West Germany unemployment is probably manageable in the medium-term because demographic changes will contribute to a solution, in Maucher's view. But he believes it is time for the British and French governments to start creating more jobs, for instance, by spending more on infrastructure as a short-term, temporary measure, even if it goes "against the rules of the market."

"Products and people are what matter to Maucher, that is why he has been able to change Nestle," one of his staff sums up. Profit goes without saying.

Automation

Why there is still a place for people

BY MICHAEL SKAPINKER

LORD KING, the chairman of British Airways, apparently likes to tell a story about an impoverished youngster who, desperate to use a public convenience, persuaded a passer-by to give him a penny. ("Those were the days," Lord King likes to exclaim at this juncture.)

The youngster rushed down the steps of the public toilet, only to find that one of the doors had been open all along. He used the penny instead to buy some apples, which he polished and sold individually. From there, it was but a short step to a barrow, a shop, a chain of shops and, finally, wealth and fame.

Someone once asked the businessman whether he wouldn't like to find the man who gave him the penny. "I don't know about that," he replied. "But I sure would like to meet the man who left the door open."

Lord King's anecdote (which is not autobiographical) was recounted by Sir Colin Marshall, BA's chief executive, during a lecture he gave last week entitled "The Best Automation is People."

Unbeknown to his audience, BA was about to announce a proposed takeover of British Caledonian, the UK's second largest airline. Perhaps this distraction accounted for the fact that Marshall did not make it entirely clear what he thought the moral of Lord King's story was. But his point seemed to be that being presented with an opportunity is less important than how one perceives that opportunity.

In his talk, which was sponsored by City University Business School and accountants Peat Marwick McLintock, Marshall looked at the opportunity offered by automation. British and American companies have a very different perception of automation from that of the Japanese, he said.

The Anglo-American view is that automation is a way of replacing labour and cutting costs. The result is not always a happy one. General Motors, for example, has spent huge sums of money automating its plants throughout the US. It discovered, however, that its new factory near Cleveland, designed to turn out units for its Saturn car project, was not operating nearly as efficiently as a much older plant on the West Coast which GM is running jointly with one of the big Japanese automobile manufacturers.

The reason that General Motors was not able to achieve all that it wanted from automation, Marshall argued, was that it was trying to control the process of change, instead of "taking two steps back and saying: where is change going, and how do we propose to get there before it does?"

The Japanese, he said, see automation as a way of reredesigning the manufacturing process, rather than merely as a means towards lower costs. Their aim is to provide themselves with the flexibility which the modern marketplace demands.

They have redesigned their factories to enable them to respond more quickly to what different sections of the marketplace demand at different times. They have also used their people differently.

Rather than worrying about constantly extracting greater output from their automation process, "the Japanese are perfectly happy to let individual, very skilled, engineer-quality workers run groups of machines in a way which uses them efficiently."

The key point, Marshall said, is that "the best automation is people. All the money in the world, batteries of numerically-controlled machines, come to naught unless managers see automation as an extension of the production process, rather than as a mere replacement for labour costs."

Fortunately, he said, a generation of younger managers is emerging who are more comfortable with computers and automation than their elders. They are more likely to understand that human skills "should be used in guiding and utilising the skilled automation approach, rather than attempting to compete with it." By starting with younger managers, Marshall said, British and American companies can begin the process of spreading a new approach to automation throughout their organisations.

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THE ARTS

Architecture/Gillian Darley

Drawing on tradition

During this International Year of Shelter for the Homeless, we should not lose sight of the importance of building on what is already there: tradition and skills, often in "unskilled" hands, can serve in a way that conventional aid programme often fail to do.

This was one of the conclusions drawn in a session organised by the RIBA Women's Group during the 16th Congress of the Union Internationale des Architectes (UIA) held in Brighton last week.

The loss of tradition, both in practical and aesthetic terms, greatly concerns Minnette de Silva, the first Sri Lankan woman to become an architect. She studied in Bombay and the Architectural Association in London, was actively concerned with the modern movement and worked with le Corbusier. Nevertheless, *from the early* 1950s her references to the traditions of her country, reworked in a low-cost, inventive idiom have made her architecture a marriage between the advances of technology and the irresistible pleasures of traditional Sri Lankan building crafts.

The arts centre and theatre in Kandy, Sri Lanka, built in the early 1980s and still growing, is a perfect example of this synthesis. Designed to be flexible, with open sides ("four walls are not our tradition") and a timber roof which is a sophisticated reworking of older forms, she has moulded a modern building out of old wisdom and beauty. Where possible she has avoided dependence on steel and glass, industrial materials and components which would increase costs enormously. Colums are pre-cast concrete but take the form of sinuous tree trunks; the building is expressive and organic in every detail.

Another aspect of her work is to be seen until August 6 at the Commonwealth Institute, where her observations, *Twelve Villages*, offer an exemplary study of vernacular architecture. Funded by Unesco and carried out between 1975-80, she looked at six villages in India, three in Bangladesh, and three in Sri Lanka. In these simple villages the pattern of the settlements has been determined by reality; the climate, social and economic patterns (for example, the compactness of the feudal village, unable to spill out) and available materials and skills.

Only one of the 12, Nirnallar in the Tamil Nadu uplands, is set out in a terraced form, a much more urban concept. The rest are planned around some version of the square, but always bearing in mind the possibility of expansion, either of an individual house or of the entire settlement.

Deceptively simple matters—the height of the window sill in relation to the street for example—are resolved as the result of observation and pragmatism. There are lessons here. How many architects who design for the elderly, whose lives are bound to be largely sedentary, forget that simple lesson? This exhibition is based *on observation of traditions*, but it is no dead end. New housing in Sri Lanka, as elsewhere, is designed to be finite, against the grain of "additive architecture" as Minnette de Silva calls it. Yet flexibility can be easily achieved with a self-build, or easily constructed system of prefabricated panels, either of natural or manufactured materials.

In Kenya two-thirds of urban households are *de facto* headed by women. Widows and single-parents are joined by the families of the migrant work-force. Diana Lee-Smith of the Mazingira Institute in Nairobi has studied the problem of *shelter in English and* Portuguese-speaking Africa, with support from the United Nations. Low-cost, new-build housing schemes—where they exist—do little to accommodate the home-based activities (laundry, baking, dressmaking etc) that provide these women's income. Minnette de Silva is *particularly adamant that the* lessons of indigenous architecture should not be forgotten in the surge of "improvement." Self-help solutions must include knowledge and love of these traditions, otherwise "children will forget what they have."

Amarasinghe House, Colombo, 1954, domestic interior designed by Sri Lankan architect Minnette de Silva, a speaker at last week's conference in Brighton

Public Enemy/Hammersmith

Michael Coveney

There is something heroic and curiously oldfashioned about the attempt of the brilliant young actor Kenneth Branagh to go it alone. Having signed up Judi Dench, Derek Jacobi and Geraldine McEwan to direct studio Shakespeare next year, he launches his Renaissance Theatre Company with his own play at the Lyric, Hammersmith, and has cast himself in the leading role of Tommy Black, a Belfast hoodlum with a marked similarity to James Cagney.

The play is not very good. But it does not exactly stink. The interest lies in Branagh exorcising his Cagney obsession, which you can easily read as the reason he became an actor and star RADA graduate in the first place; and in his relating this fad to his Ulster background.

It is a measure of Branagh's chameleon quality that I had never thought of him as a Cagney actor before. Even now his adoption of the persona is humorous, objective and thoroughly devastating. Tommy is an out-of-work no-hoper picking up prizes in pub talent competitions as Cagney's George M. Cohan in *Yankee Doodle Dandy*. He dances up a storm, with electrifying re-runs of the smug little hoofer's tap routines.

After that wonderful sequence (reprised with variations in Act 2), where he makes the sweet runner-up (Ethna Roddy) his girlfriend, the play degenerates into a tortuous homage to the Cagney *liturgy, starting with the title* film and quoting generously from *Angels With Dirty Faces* and, especially, *White Heat*, in which the famous cry of "Made it Ma, Top of the World" is enacted after a rash killing in an Andersonstown video shop.

Tommy's quest for Cagney films has taken him across the sectarian divide into Provo *land and the callous murder of* the shopkeeper and theft of £132 lands him in deeper trouble with the IRA. These tensions have to be explained, though, by a sombre police officer (John Rogan) who sidles out of the shadows to wrap up the story in an excuse for his resignation from the force.

Cagney always had great adversaries—George Raft, Bogart, Pat O'Brien—but the Public Enemy love-hate rivalry with his brother (*Fabian Cartwright*) is too one-sided to be interesting, while Branagh the writer omits to articulate his character's maternal fixation with any true power.

A sluggishly nostalgic soundtrack fails to forge links between a romanticised Chicago and a brutally unfriendly Belfast. Geoff Rose's design hints at the monumental and provides a remote urban promontory for Branagh's climactic wails of defiance. At such points one is, alas, only reminded of the real thing.

Otherwise, a lot of thought has gone into sliding apart elaborate panels to reveal domestic and saloon bar interiors, and to clearing the floor for Branagh to strut his stuff.

This he does most effectively when switching between speeches from Belfast anger at his lot in the world to the dry, rapid, self-mocking delivery of Cagney in full flow. Less squat than Cagney, Branagh is squat nonetheless, and his jaw and sideways looks could not be squatter. Even his blond com*plexion and sallow skin are* dead on target.

Alastair Muir

Kenneth Branagh

Belittling opera on a big scale

The libretto of Geminiani's *The Enchanted Forest*—a spectacle produced at the Tuileries in 1754—proclaims the supremacy of décor: "Arresting music of genius sometimes draws attention away from a fine libretto. Why should painting not strive to capture all an audience's attention, aspire to the glory of garnering, and not sharing, the flattering applause?" In this spirit, the New York Met has mounted Jean-Pierre Ponnelle's gigantic Mozart productions and his *Manon*, and Franco Zeffirelli's *Bohème, Tosca,* and now *Turandot*.

Sunday after Sunday, the *New York Times* has been attacking the Met's devotion to ostentatious spectacle. *Turandot* has been likened to *Star Wars, Starlight Express,* and glitzy vulgarity of much post-modern architecture. The company seems unconcerned. *Turandot* has been full (at $90 a ticket). Next season is advertised with a large picture of the final scene and a bold-type warning that this season only those who subscribed could be sure of getting tickets to *Turandot*. (Dimitrova is to sing the title role; the Calafs are Popov, Martinucci, and Mauro.) The Met auditorium has been officially renamed the Sybil Harrington Auditorium, in honour of the woman who pays for the Zeffirelli supershows.

The *Turandot* opened with Eva Marton and Placido Domingo. There are moments when one suspects Marton could be a more sensitive artist than generally she allows herself to be. At a recent Carnegie Hall concert consisting of the final scenes of the four *Ring* operas, there were moments of tenderness *in her first* exchanges with Siegfried (Reiner Goldberg). They did not last; she soon began to belt. And all through *Turandot* she belted, from the opening words. If she saves her screaming clarion for the climaxes, she might be thrilling. In London she seems to have been more interesting, less monotonous.

Domingo was in full, fervent voice, but there were no melting tones in "Nessun dorma." The Timur, Paul Plishka, and the Ping, Pang, and Pong shared the general aspiration to sing everything as loud as possible. Leona Mitchell's tone is rather rich and complicated for Liù's music, but in this company she seemed an artist. There was one vivid and precise performance: the Altoum of Hugues Cuenod, making his Met début at the age of nearly 85. James Levine's conducting was heavy and insistent. All the charm and beauty of the score disappeared; even the offstage boys' chorus had no romance.

Turandot has been likened to Star Wars and *Starlight Express*. The company seems unconcerned

The production is an American edition of Zeffirelli's for La Scala in 1983. There is one beautiful image: Turandot's throne room rising into sight, dream-like, above the teeming squalor of Act I (at the moment when Puccini asks for her to appear on the balcony). Acts II and III inhibit the elaborately costumed principals from doing anything much but stand and sing: they are set on a small, stepped island high above a large pond, reached by narrow bridges. But all around *them, 300 people are clustered* —the singing chorus huddled at the footlights from side to side.

As if in accord with the Kerman view of *Turandot*—"café-music banality . . . genuine drama is out of the question" — Zeffirelli has insured against anyone's taking the piece seriously by adding comic touches to the high moments. During Turandot's aria, dancing girls flutter their long sleeves in mimicry of Marton's unsteadiness. As each riddle is guessed rightly, huge carnival streamers—red, green, and white—are pulled, conjuring-trick fashion, from her shoulder blades, and the audience laughs. They laugh again at the kiss whose "incredible contact transfigures" the heroine. Glitter dust rains down over the finale. Genuine drama is indeed out of the question. The opera is done on an enormous scale — and belittled.

The *Ring* concert also brought forward, in Roger Roloffe's Wotan, a baritone with a secure, honest, and commanding voice — the kind of Wotan we have not heard for years. It was one of three concert presentations by Eve Queler and her Opera Orchestra of New York. The first was *La battaglia di Legnano*, in which Mario Malagnini revealed a promising unforced tenor but Aprille Millo was disconcerting. A year before, in Miss Queler's *Lombardi*, Miss Millo had seemed hugely promising, but her command of the *Battaglia* role was uncertain and her voice sounded tired.

The third was Dvorák's lovely *Rusalka*, its first professional New York performance. It was made memorable by Gabriela Benacková in the title role. During the intervals, people were wondering when last they had heard soprano *singing so movingly beautiful:* not since Tebaldi, Victoria de los Angeles, Elisabeth Rethberg were comments I heard.

Andrew Porter

First nights of the Proms

Andrew Clements

Music for the dance dominates the 1987 season of Promenade Concerts. On paper at least the theme appears both viable and appropriate; neither virtue could automatically have been attributed to some of the more half-hearted thematic associations of past years. It promises to be broad enough to allow flexibility, yet specific enough to lend positive shape and purpose, and it has not been employed haphazardly as a substitute for genuinely imaginative programme building. In short, the omens for this year's Proms look good.

Surprisingly, perhaps, there was no suggestion of choreography in either of the works in Friday's opening concert in the Albert Hall—Janacek's Sinfonietta and Tibbett's *A Child Of Our Time*—in which John Pritchard conducted the BBC Symphony Orchestra.

Pritchard was the first conductor to record *A Child Of Our Time in the* 1950s, and perhaps because of his role in gaining acceptance for the work, his approach to it has always seemed unduly reverential, too content to allow the oratorio to unfold at its own uneven pace.

This may be perfectly effective in the first part, where the steady growth in intensity prepares the way most eloquently for the appearance of the first spiritual, but it is less effective later, when the content becomes more obviously *dramatic and the choral contri*butions in particular demand directness and a positively imposed character.

The contrast between Pritchard's steadfast neutrality and his soloists' more or less operatic approach led at times to some uneasy partnerships. Neil Jenkins was the most overtly theatrical, Robert Lloyd steered a sage course between the extremes, while Fay Robinson and Cynthia Clarey were tonally alluring, except when the awkwardness of Tibbett's prosody proved an unsurmountable obstacle.

A similar sense of diminished scale had overtaken much of the Janacek, also. Finding suitable programme partners for *A Child of Our Time* cannot be easy (more Tibbett is probably the best solution) but this unlikely combination promised well. Yet the spark which should have made such a festive opening work into the springboard for a genuinely celebratory opening concert was lacking. The applause for both performances was polite rather than enthusiastic, and it took Tibbett's appearance on the platform to bring the occasion to life at last.

● One hallowed Proms tradition has been restored this year. Concerts on Saturday evenings are unashamedly popular once again. The first of these had a Viennese flavour, with Johann Strauss, Lehar and Lumbye making up the second half. Earlier Philip Fowke had given a quick-witted yet never arch account of Dohnanyi's *Variations on a Nursery Song*, a well made piece which appears to have lost much of the popularity it enjoyed a generation ago; this was the first time it had been heard at the Proms for almost 30 years. Bryden Thomson conducted the Halle Orchestra, showing themselves to best advantage in the suite from *Der Rosenkavalier*, in which it would have been hard to fault their refinement and solidity.

They Shoot Horses, Don't They?/Mermaid

B. A. Young

Horace McCoy's novel, published in 1935, is remembered as the story of the dance-marathon in Los Angeles, and the tragedies associated with *the poor, out-of-work young* people that took part in the hope of attracting the attention of a film director. For the first half of the evening, indeed for 15 minutes before the curtain, this is what we see in Ray Herman's adaptation, a stageful of ill-matched, shabby dancing couples, coming out now and then to sing one of the joyous lamentations of the age, "With plenty of money and you," "Wrap your troubles in dreams," and so on. A ghastly, cheerful MC, played and sung by Henry Goodman, keeps them going when they flag, or quarrel. A police lieutenant (Richard Bremmer) makes a short appearance to threaten the arrest of Robert Syverten for shooting his partner, Gloria Beatty, but that emergency is momentarily brushed aside for the entertainment. The first half ends with a "Derby" (pronounced as in English, not as at Kentucky), a handy way of exhausting the dancers sooner.

But after the interval there *is a different air. Couples on* whom some special emphasis has been bestowed become the centres of bizarre dramas. Robert (Paul Greenwood) indeed shoots Gloria (Imelda Staunton), who has become increasingly suicidal throughout the festival. Ruby Batone (Jane Lancaster), heavily pregnant, drops out, leaving her Mario (Bryan Torfeh) to finish on his own. One couple is dressed up and given a smart wedding ceremony ("On your knees, kids, and keep moving!" snarls the MC at prayer-time). A par*ticularly scruffy man* (Peter Guinness) is recognised as an escaped convict and shot. Two ladies from the Mothers' League for Good Morals threaten to close the show. And at the long drawn out conclusion, Robert tells of his grandfather's need to put down an injured farm-horse. "They shoot horses, don't they?" he says in a line that comes dangerously near being comic.

Mr Herman has made the *classic mistake of trying* to put too much of a novel into a play. There are three or four good tales in the script, but none is given enough emphasis to stand as a main plot. Moreover, the event hardly seems real enough. All those songs, bar one, are sung as well as if we were at a touring production of a musical, when we know the participants are desperately tired.

A least, we know that from their attitudes; but they never seem to sweat either on the face or under the armpits.

Ralph Koltai *has left* the stage unobstructed; there is only the MC's table and mike upstage, while beyond them is a glimpse of doctors and nurses. David Toguri has directed the dancing and non-dancing. Ron Daniels is the director.

Grande Messe/St Paul's

Dominic Gill

Not many large-scale works for voices and orchestra are ideally suited to performance in the vasty reverberation of St Paul's Cathedral. Baroque music vanishes nearly without trace; classical liturgy is mashed to incoherence; and several times I have heard Beethoven's Missa Solemnis sink grandly out of sight there, swallowed up by those billowing, echoing waves.

Among the few works for which St Paul's is a natural home, Berlioz's *Grande Messe des Morts* probably reigns supreme. Every cadence and colour, every punctuation and phrase, speaks of the grandest and most resonant ambiance; much of the score indeed makes no sense in any other acoustical surroundings—anyone who had heard "Tuba mirum," for example, only in the concert hall before hearing it again in the cathedral last night will take the point easily. It is a unique and thrilling experience, that cannot be sampled in any other kind of place.

Yesterday's City of London Festival performance was sung and played by the choruses of the LSO and London Philharmonic with the LSO itself under the direction of Louis Fremaux — who set the pace and the manner from the start with exactly the right momentum in the long, slow-swelling paragraphs of the opening "Requiem." No one could say that there was perfect quadrophonic unity in the utterances of the four brass choruses in the "Dies irae," and in particular in their "Tuba mirum" culmination: but such details were minor matters compared to the pure sonorous force of the ensemble.

I admired the easy, unhurried (and more important, unostentatious) fashion in which Fremaux managed the windy lines of the "Lacrymosa," gusting to vivid gale force at their climax. And the gentle beat with which he underpinned the extraordinary "Hostias" for instruments and male voices *alone — where Berlioz mixes*, by some mysterious alchemy, a vision that is both lush and sepulchral at one and the same time. Martyn Hill was the capable tenor soloist (a taxing, unrewarding part, over almost as soon as it has begun, and always before the voice is properly warmed).

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 17-23

Music

PARIS

Schola Antiqua from Madrid conducted by Ismael Fernandez de la Cuesta: Mozarab and Hispanic Liturgy (Mon, 8.30pm) Saint-Severin Church.

Jean-Effiam Bavouzet, piano: One Hour with Ravel (Tue, 7pm). Auditorium des Halles, Porte Saint-Eustache.

All the above are part of the Paris Festival Estival (4804 9801).

Students of the International Academy of Chamber Music Jean-Francois Paillard: Pierne, Ravel, Roussel, Villa-Lobos (Wed, 7pm). Concert-Rencontre at the Auditorium des Halles.

Chamber Orchestra from Norway with Terge Tonnesen as conductor and violin soloist: Grieg, Mozart (Thur 8.30pm). Auditorium des Halles.

Orchestre de Paris conducted by Leonard Bernstein in memory of Nadia Boulanger (Wed). Salle Pleyel (4561 9607).

ITALY

Rome: Villa Medici (Piazza Trinita dei Monti, 1): Les Musiciens del Louvre playing Rameau's Les Surprises de l'Amour conducted by Marc Minkowski (Thur). (654 4601/2 or from Villa Medici before performance).

Rome: Piazza del Campidoglio: (Wed) Warsaw Symphony Orchestra with Mstislav Rostropovich. Beethoven, Vivaldi and Tchaikovsky; (Thur) Yuri Ahronovitch conducting the S. Cecilia Orchestra. Dvořák, Mozart and Mussorgsky. (654 1044).

LONDON

Endellion String Quartet: Beethoven, Mozart and Brahms. Chartered Accountants' Hall, Copthorne Avenue, EC2. (236 2801). (Mon).

Sarah Vaughan and trio: Royal Festival Hall (Mon, 8pm). (928 3191).

Parikian-Milne-Fleming Trio: Mozart, Brahms and Schubert. Ten Trinity Square, EC3. (236 2801). (Tue).

City of London Sinfonia conducted by Richard Hickox with Andrew Watkinson, violin and Garfield Jackson, viola. Bach, Haydn, Handel and Mozart. Guildhall Old Library (Tue). (236 2801).

Stan Getz Quartet and Branford Marsalis Quartet. Royal Festival Hall (Wed).

Scottish Chamber Orchestra conducted by Jukka-Pekka Saraste with Barry Tuckwell, horn. Mozart, Ravel and Dvořák. Merchant Taylors' Hall, Threadneedle Street (236 2801). (Thur).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Beaux Arts Trio. Mozart, Beethoven, Schubert (Mon); Mostly Mozart Festival Orchestra. John Nelson conducting, Alicia de Larrocha piano, Thomas Hampson baritone. Mendelssohn, Mozart (Tue, Wed), Lincoln Center (874 2424).

Tanglewood: Emerson String Quartet. Smetana, Schuller, Beethoven (Thur). Lenox, Mass (413 637 1666).

Jazz in July Festival (Kaufmann Hall): Vince Giordano and the Nighthawks featuring clarinetist Phil Bodner in a tribute to Benny Goodman (Tue); Guitar recitals by Tal Farlow, Bucky and John Pizzarelli, Howard Alden and Marty Grosz (Wed); New York Saxophone Quartet featuring Dennis Anderson performing Scott Joplin and others (Thur). 1395 Lexington Av at 92nd St (996 1100).

WASHINGTON

Wolf Trap: National Symphony conducted by Gunther Herbig Jean-Pierre Rampal flute. Schubert, Beethoven, Mozart (Thur). Vienna, Va. (703 255 1868).

CHICAGO

Ravinia Festival: The Academy of St. Martin-in-the-Fields. Neville Marriner conducting. Prokofiev, Mozart, Mendelssohn (Tue), Elgar, Haydn, Vaughan Williams, Bizet (Wed); Chicago Symphony. Gennady Rozhdestvensky conducting. Viktoria Postnikova piano, Frank Peter Zimmermann violin. Haydn, Prokofiev, Schnittke, Massenet (Thur). Highland Park (728 4642).

Opera and Ballet

WEST GERMANY

Munich, Bayerische Staatsoper: Munich's annual opera festival runs to July 31. The third week opens with Cosi fan tutte, with an interesting cast led by Ann Murray, Julie Kaufmann, Peter Schreier, David Hampson and Theo Adam. The much-loved Otto Schenk production of Der Rosenkavalier stars Lucia Popp, Brigitte Fassbaender, Helen Donath and Kurt Moll. Also Die Zauberflöte in August Everding's production. The main parts are sung by Sylvia Greenberg, Pamela Coburg alternating with Helen Donath, Theo Adam and Hermann Prey.

ITALY

Rome: Terme Dicaracalla: Spectacular three-act ballet, Spartacus, by Hungarian choreographer Laszlo Seregi, conducted by Alberto Ventura, with Mario Marozzi as Spartacus, Lucia Colognato as his wife, Flavia, and Salvatore Capozzi as Crasso, a roman commander. (46 17 55).

Rome: Villa Medici: Roland Petit's Ballet National de Marseille in A Zizi con Amore (654 4601/2 or from Villa Medici before performance).

Verona: Arena di Verona: (65th festival): Summer season opens with slightly tame La Traviata by Gianfranco de Bosio, conducted by Ralf Weikert. Nelly Mericioiu alternates with Julie Cornwell and Daniela Longhi in the part of Violetta, and Jose Carreras (alternating with Franco Bonisolli and Ivan Kiurkciev as Alfredo. Aida, with startling scenery composed of shimmering geometrical shapes (by Pietro Zuffi), conducted by Donato Renzetti. Maria Chiara alternates with Seta Del Grande and Martha Colalillo in the title role, Nicola Marinucci sings Radames, and Fiorenza Cossotto, Amneris. Madame Butterfly, with soprano Renata Scotto making her first attempt at directing (also singing in some performances), conducted by Yoshinori Kikcuchi (28 151).

Ravenna: Rocca Brancale One (Ravenna Festival): Carmen conducted by *Raphael de Burgo and directed by* Pierluigi Samaritani, with Agnes Baltsa, Jose Carreras, Silvano Carroli and Alida Ferrarini (36 161).

Turin: Parco Rignon: (Torinodanza 1987) Theatre Choreographique de Rennes with works by choreographer Gigi Caciuleanu and the Moscow Ballet Company with classical works and modern dance from choreograhers Gordeev, Eifman and others (54 45 62).

LONDON

Royal Opera, Covent Garden: Last two performances of the season – Die Frau ohne Schatten, splendidly conducted (by Christoph von Dohnanyi) and sung (by Gwyneth Jones, Ruth Falcon, Helga Dernesch, Robert Schunk and Siegmund Nimsgern); and the "revised version" of the disastrous Fidelio production by Andrei Serban, with Elizabeth Connell in the title role and Colin Davis conducting (240 1066).

Coliseum: Students and young professionals of the Bolshoi Ballet School in mixed bills (836 3161).

Sadler's Wells, Rosebery Avenue: Merce Cunningham season (278 8916).

NEW YORK

New York City Opera: Performances of La Rondine and La Bohemè join the repertory of Tosca, with Elizabeth Holleque in the title role conducted by Alessandro Siciliani in Frank Corso's production, and La Traviata. Lincoln Center (870 5570).

New York Grand Opera (Central Park): Free performance of Madame Butterfly at the 72nd Street Bandshell. (860 1335 for raindates).

Jacob's Pillow Dance Festival: Summerlong work and performance schedule in the Berkshires features recitals this week of African Dance (Tue-Thur). Becket, MA (413) 243 0745.

WASHINGTON

Bolshoi Ballet (Opera House): Performances of The Golden Age start the week-long schedule. Kennedy Center (254 3770).

Saleroom/Antony Thorncroft

Treason by a king

The saleroom season is grinding towards its close — at least the main auctions as Sotheby's and Christie's are about to take their summer break — but there is still plenty of interest on offer, especially for historians. Next Friday Sotheby's holds one of its bumper literature and history sales, full of the indiscretions of the past.

The chief excitement centres around a bundle of papers relating to the Treaty of Dover, the secret arrangement made by King Charles II in 1670 with King Louis XIV of France, under which Charles would return the UK to the old religion and support Louis in his wars against the Dutch in return for a handsome cash retainer.

It was treason of the most heinous kind, and one of the few politicians privy to the intrigue was Lord Clifford of Chudleigh who noted down the provisions and hid them away at his country seat. A successor is selling them off to maintain the mansion, and a price of up to £350,000 is expected.

Historical records of this importance should be destined for the British Library but that institution has just paid a goodly sum for another important 17th century archive, the papers of Sir John Coke, the principal secretary of state of King Charles I.

A topical lot on offer is a letter from Lord Elgin explaining how and why he removed the Marbles to the UK (estimate £15,000-£20,000), while two books of music in the hand of Jane Austen, recently discovered by a descendent, are expected to go for slightly less.

Sir Dighton Probyn may not be the best known Victorian these days but in his time he was the epitome of the English gent. He has the letters after his name to prove it—VC, GCB, GCSI, GCVO, ISO—and died at Sandringham in 1924 after 50 years loyal service to the Royal Family. He was a hero of the Indian Mutiny and his medals come up for sale at Christie's tomorrow with an estimate of up to £30,000.

The other important group of medals in the auction belonged, by *coincidence*, to Probyn's great friend, Lord Charles Beresford, who was commander-in-chief of the Channel Fleet in the early years of this century. The medals of both men have stayed with the family until now and are therefore fresh on the market.

FINANCIAL TIMES
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Monday July 20 1987

Unmiraculous West Germany

SLUGGISH GROWTH, high unemployment, high taxes, weak business investment, rigid markets and huge public subsidies: these are some of the main characteristics of the West German economy in the late 1980s and some of the reasons why the former miracle economy no longer deserves to be a model for the rest of Europe. The fall from grace over the past decade is well documented in the latest OECD report on West Germany, which is critical of many aspects of the country's economic performance.

West Germany has grown at a disappointing average rate of only 1½ per cent a year during the 1980s compared with 3 per cent between 1973 and 1979 and more than 4½ per cent in the 1960s. The progressive slowdown has reflected, at least in part, the growing unwillingness of industry to invest. Net business capital formation accounted for 16 per cent of GNP in 1970; by 1979, this ratio had fallen to 11½ per cent and by 1986 to 8.3 per cent. Part of the price paid for this decline in investment and growth has been a very sharp rise in unemployment since the early 1970s. As the OECD emphasises, West Germany's unemployment problem stems mainly from a failure to create jobs rather than adverse demographic trends: an eight-fold rise in the jobless rate since the first oil shock has coincided with a shrinking population and net emigration of foreign workers.

Lack of flexibility

But why has growth and investment tailed off in this former miracle economy? Macroeconomic policies in recent years have not helped: bigger and earlier tax cuts would have boosted the growth of nominal incomes and perhaps encouraged entrepreneurs to do more than replace old capacity. But the problem runs much deeper than this: put bluntly, West Germany appears to be suffering from a debilitating lack of economic flexibility.

Certain core manufacturing sectors, such as engineering, chemicals and motor vehicles, remain extremely strong; but this strength is increasingly incapable of compensating for weaknesses elsewhere. The OECD points out that there has been comparatively little change in the structure of manufacturing production in the past 15 or so years; and, by the standards of other advanced economies, little in the way of a shift towards services. The West German policy of concentrating on areas of historical comparative advantage paid handsome dividends in the short to medium run, but has perhaps not left the economy ideally placed to benefit from the growth sectors of the 1990s.

The service economy in particular has been badly neglected, and remains stunted and inefficient by international standards. Employment in private-sector services rose less between 1973 and 1985 than in the previous 12 years—an astonishing outturn given the growth of the tertiary sector in other economies. Job creation fell short by about 1m places of what was necessary to compensate for a contraction of manufacturing employment. The OECD argues that the service sector is more heavily regulated than most other parts of the West German economy and draws particular attention to controls on transport and information transmission.

Industrial subsidies

Growth has also been impaired throughout the economy by West Germany's well-publicised industrial subsidies, which the Kiel Institute says account for as much as 6½ per cent of GNP. It is notable that subsidies as a precentage of GNP in the UK have fallen by nearly 30 per cent since 1980; on OECD figures, West Germany has made no progress at all in this period. As a consequence, the two economies have switched positions with Britain now the relatively less subsidised.

Some of West Germany's economic problems reflect the checks and balances inherent in its federal constitution. For example, more than half the infamous subsidies are administered by the Lander governments but they also stem from a curious complacency in Bonn. The UK, France and Italy have all in different ways recognised the need for change and are struggling to revitalise their economies. West Germany, which is expected to grow by no more than 1½ per cent this year after contraction during the winter and spring, still seems unconscious of the extent to which it is falling short of its potential.

A distortion of aid policy

MR ALAN CLARK, Britain's Trade Minister, has gained a reputation for stirring up controversy, while defending the interests of what he calls "UK Ltd." True to form, in commenting last week on the report of the House of Commons Foreign Affairs Committee on the bilateral aid programmes of the UK, he has managed to call into question the entire basis of bilateral aid.

The Committee's case for an aid programme geared to the development of the borrowers rather than the commercial interests of the lender is, he asserts, rooted in the outworn slogans of the 1960s. Particularly objectionable, he argues, is the view that the lender has an interest in how the funds are used. What is needed, instead, is a "partnership" in which the borrower decides how to spend the money and the lender restricts where it is spent.

Limited merit

The arguments advanced for changing the whole basis of the bilateral aid programme in the ways suggested by Mr Clark are four: first, aid would become more politically acceptable at home; second, aid would support the interests of British firms against their competitors; third, the borrowers would enjoy a diminution of heavy-handed paternalism; and, finally, for that reason, the borrowers would be happier about offering contracts to British companies.

The argument for increased political acceptability has some, but only, limited merit. Not only would the aid be of diminishing value to the recipient as a direct result of making it more politically acceptable to the donor, but, worse, the basis of idealistic support for aid would be undermined. The danger can already be seen in Mr Clark's remarks, for where he refers to "access to the aid budget" he is talking not of recipient countries but of British companies.

That aid should be more relevant to the interests of exporters makes sense from the selfish point of view, given the decision to provide a certain amount of aid. (Giving away goods at knock-down prices just because others do is not, in general, a sensible policy when funds have not already been allocated for the use of foreigners). The cost to the UK is reduced (and the value to the recipients diminished) by the practice of tying, which is no more than to say that recipients are affected by tying only if it distorts their choices. One might regard this as a form of padding of the accounts.

Policy errors

Developing countries would, undoubtedly, prefer to be allowed to allocate aid as they wish. While some greater degree of freedom for the recipients can be sensible in many cases, the experience with the vast borrowings of Latin American countries in the 1970s and early 1980s or with the policy errors of African countries does not justify such a "hands off" approach. It would be quite ironical for the British Government to favour this approach just when the paternalistic idea of policy-based lending has become the orthodoxy of major institutions like the World Bank. One of the reasons that richer countries feel entitled to offer advice and supervision is that they have learned something from their experience. That British companies would gain from the permissiveness of the British government is not itself a sufficient reason for abandoning control over how funds are used.

Mr Clark is, in effect, recommending the substitution of one set of interventionist dogmas for another. Instead of the orthodox paternalist view of aid for development, he recommends an equally carefully-judged intervention to ensure the widest spread of assistance for British companies. Aid for development with incidental benefits for some parts of British industry would become aid for British industry with incidental benefits for economic development. Not least because of the misleading advertising involved, this is not one of the cases where the spirit of the 1980s is superior to that of the 1960s.

THE US INSURANCE INDUSTRY

Living dangerously again

By Nick Bunker

WAR WAS declared in Little Rock this January. The combatants are America's insurance companies.

They have turned Arkansas into a battleground for a local price war where the weapons are cuts in premium rates and each company's objective is to expand market share. Hostilities broke out late last year, after 30 months when US underwriters forced up rates nationwide for many classes of property and casualty insurance.

These rate increases—between 25 and 700 per cent—were mainly on so-called "commercial lines," the kind of cover bought by corporations. It was industry's way of recovering from a $5.5bn (£3.4bn) pre-tax loss in 1985. The side-effect was the US liability insurance crisis of 1985-86. Some customers—day-care centres, truckers and pollution-prone manufacturers—found it almost impossible to get cover from insurers burned by past losses.

But now insurance intermediaries like Mr Jerry Smith in Little Rock have seen business become competitive again. When a client, perhaps a small electrical contractor, steps into his independent insurance agency and asks to renew a general liability policy for $10,000, Mr Smith can find a 40 per cent rate reduction if he touts the business around 15 insurers. "This cycle didn't turn gradually," he says. "It turned super-fast."

Arkansas may be special. With just 2.5m inhabitants, it is a small rural territory where underwriters think they can take chances. In the neighbouring state of Oklahoma, rate-cutting is much less evident.

One thousand miles away on Wall Street and in Hartford, Connecticut, the historic home of the US insurance business, there is still plenty of room for anxiety.

After recovering in the last two years from the worst downturn since the Second World War, US insurers appear to some to be teetering on the verge of another price war. That matters, because the US industry accounted for $187bn in premiums in 1985—54 per cent of the industrialised world's non-life insurance market. Also, last time the insurance industry ran into trouble it provoked a crisis in which many Americans could not get insurance cover at all, leading to pressure for reform of the laws governing liability for the effects of accidents.

The question now facing the industry is two-fold. Will the next down-turn be as vicious as the last? And even if it is not, can insurance companies manage the cycle in a way that prevents more traumas like the liability crisis of 18 months ago.

So are the rate cuts in states like Arkansas just "technical corrections" of excessive increases last year? Or do they mark the beginning of a nation-wide conflagration that will wreck the industry?

"That's the $64 question," says Mr Laurence Drake, managing director of New York-based Marsh and McLennan Inc, the world's biggest insurance broker. "Nobody has any real evidence to support either theory."

Mr William McCormick, chairman of Californian-based Fireman's Fund, one of the top 15 US insurers, has publicly warned that a new price war is looming. "The storm-clouds are gathering," he says. His underwriters lost their three biggest national accounts this year because of renewed competition.

Not every insurer shares his pessimism. Hartford-based Travelers Corp says that over the first four months of 1987 it was still getting average rate increases of about 15 per cent across its book.

The feeling among big US insurers is that price reductions have only taken hold in commercial property business—for instance, independent agents in upstate New York are seeing premium rates for apartment blocks and offices come down by 15 to 20 per cent.

Yet there is clear anecdotal evidence that in some places the cuts have spilled over into riskier casualty business — though certainly not into "personal lines" such as automobile, homeowners' or workmen's compensation insurance, where premiums are still rising.

The last price war started after three good years in the 1970s gave insurers a peak 22 per cent return on equity. Rate cuts began in 1979 as high profits attracted new competitors.

High interest rates added to the problem, as insurance companies sought more premium income to invest for big returns. Reckless reinsurers helped demolish price discipline among US underwriters who could cut premium rates and then offset the risk by buying cheap reinsurance. Then 1982 saw the beginning of a steep appreciation in the value of stocks and bonds, which strengthened insurers' balance sheets but masked the industry's fundamental weakness.

The consequences became clear in 1984. Underwriting losses — which stood at $10.4bn in 1982 — surged to $21.4bn. Even after allowing for investment income the industry still lost $3.96bn on the bottom line.

In 1984-85, 53 insurance companies went out of business involuntarily. Rate increases led to a profit recovery only last year, when the industry made $5.3bn before tax.

For American politicians, the crisis manifested itself in pressure from the insurance industry and other lobbyists for "tort reform" measures to curb the high damages awards made by federal and state courts and paid for by the industry.

Last year, 39 states passed measures aimed at curbing what some saw as the civil justice system's worst excesses. This year, some Hartford companies sent their lobbyists south to help organise the Texas Civil Justice League, a pro-tort reform coalition—Texas legislators are still wavering.

As the liability insurance crisis has eased, however, other questions have come to the fore.

One is the competition the industry faces from non-traditional power, such as self-insurance: Tillinghast, the actuarial company, has forecast that self-insurance schemes arranged by corporate customers could account for 50 per cent of US commercial insurance premiums by 1989.

Politically, the issue is whether regulation can help smooth out the big swings in the cycle.

Last month, the US Senate Judiciary Committee finished a second round of hearings over attempts by Senator Howard Metzenbaum, an Ohio Democrat, to repeal or substantially amend the 42-year-old McCarran-Ferguson Act. This exempts property-casualty insurers from federal anti-trust legislation, and affirms states' rights to regulate the industry.

The McCarran controversy underlines two things: that the liability crisis politicised insurance issues; and that politicians and regulators do not have any easy answers.

Bitterly resisted by insurers, the impetus for repeal comes from consumer groups which claim the Act allows companies to fix prices and engineer swingeing rate rises. Nonsense, says Jim Corcoran, New York State's insurance superintendent. "They have not proved any anti-trust case against the industry," he says.

As yet, Mr Corcoran does not know whether his own solution —"flex-rating"—is working. Introduced in New York last June, it tries to smooth out the cycle by allowing insurers to increase or decrease rates within prescribed limits. Any bigger deviation needs Mr Corcoran's approval. But, he says, it will be six months before this regulatory process shows whether insurers are starting another price war.

Big insurers tend to feel now that real tort reform will take much longer than it once seemed.

In any case, with insurance profits high again and cover more easily obtainable, the steam has gone out of tort law reform. Whatever happens on the political front, many in the insurance industry accept that they must themselves take responsibility for fostering a more orderly business climate. The key to this may be an understanding of interest rates.

Since the 1960s, interest rates seem to have been the driving force behind insurance cycles. When they rise, so insurers' underwriting profits start to fall. Most observers attribute this to "cash-flow underwriting," where insurance companies think they can afford to cut premiums because high interest rates allow them to make big money from investment income.

Yet rather than being an economic law, this may just prove the industry's inability to manage its affairs. According to Ms Barbara Stewart, a New York insurance economist, the dire results of high interest rates in 1982 underlined the fact that insurers did not have effective pricing mechanisms.

None of this has been helped by the deregulation wave which hit US insurance in the 1970s, encouraging state insurance commissioners to stop requiring insurers to seek prior approval of rate increases in commercial lines.

That placed much greater weight on the rating bureaux, above all the Insurance Services Office (ISO), which collect underwriting information and recommends rates to insurers.

"High interest rates unhooked insurance pricing from the old bureaux rates," says Ms Stewart. "Then insurance buyers forced companies to allow for investment gains in their premium levels."

So can insurers find a new type of discipline, now that the ISO has lost much of its influence? Marsh and McLennan argues that both insurance companies and customers have lost sight of the basic nature of insurance, treating it as a "commodity," sold simply on price, rather than a long-term relationship between underwriters and policy-holders.

Hence, when trouble looms, insurers just hoist prices up or cancel insurance cover entirely, a response which infuriates consumers and drives the industry towards another violent cycle.

Some insurers have thus tried to manage their own cycles by better marketing. New York-based Continental Corporation for instance has cut back its network of independent agents by 25 per cent and geared itself to focus on "niche" areas of insurance, to build up underwriting expertise and ensure that its agents perform better.

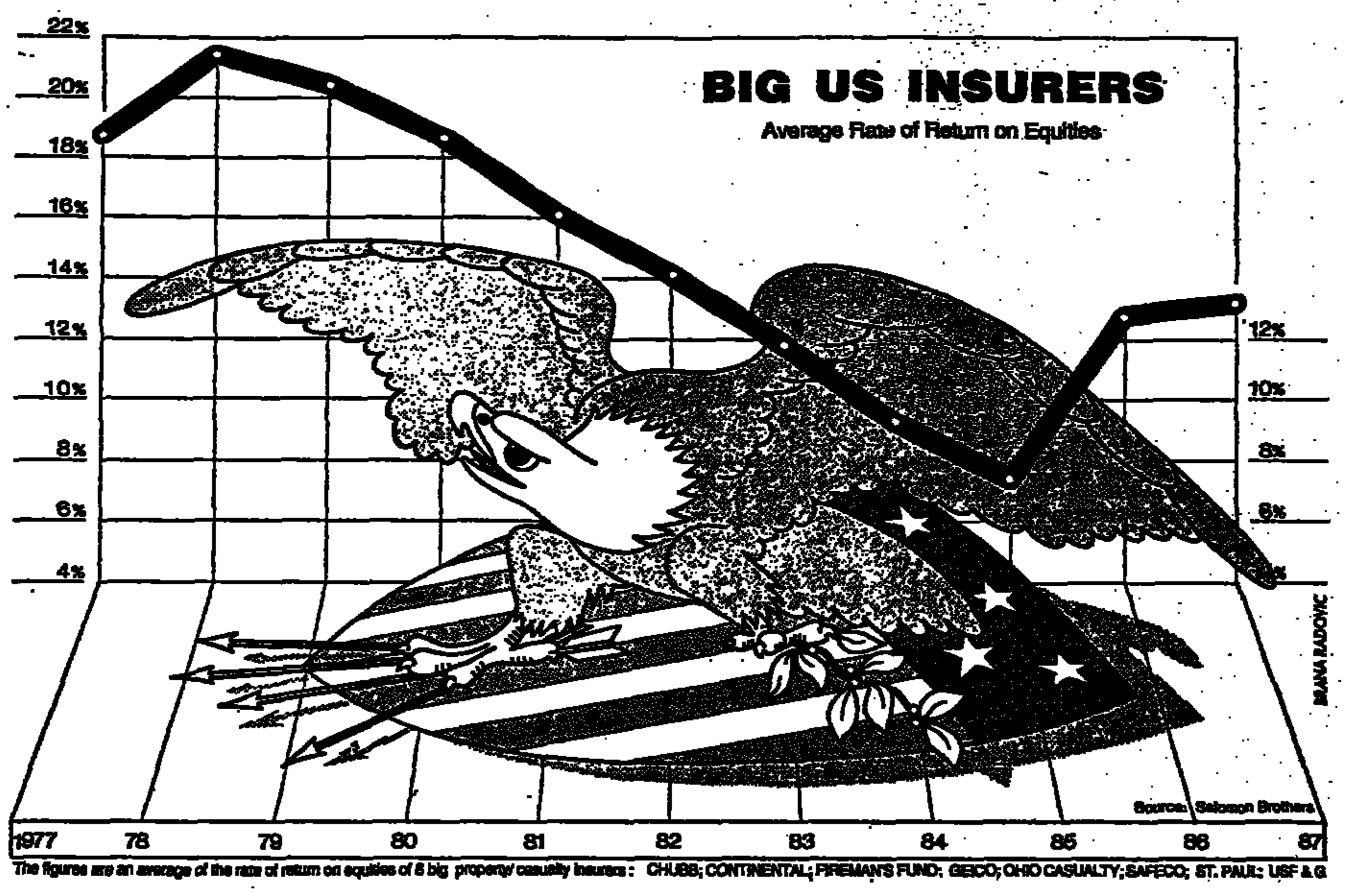
This might backfire. Cutting agency forces might simply speed the growth of the "direct writers"—like State Farm, America's biggest insurance company—which dispense with independent agents altogether. "Niching" may be the cause of the Arkansas rate-war — if insurers there are all targeting the same narrow band of customers.

Three factors could help stave off an imminent return to a savage price war. First, the rate of return on equity for big insurers only reached about 13 per cent in the first quarter of 1981—way below the levels which brought in outside competition in 1978-79.

Secondly, the 1986 US Tax Reform Act will boost insurers' tax bills — Fireman's Fund, for instance, will pay an extra $80m this year — a factor which might induce more discipline.

Thirdly, capacity has been rebuilt only gradually. The industry only raised about $7.8bn last year, a figure which some believe scarcely makes up for capital lost at the bottom of the cycle — though some analysts want to add an extra $10bn acquired through the capital appreciation of insurers' bond portfolios.

Factors like these, though, do little to assuage the fears of Mr McCormick at Fireman's Fund. "They all fall into one category — prayer," he says.



The figures are an average of the rate of return on equities of 8 big property/casualty insurers: CHUBB; CONTINENTAL; FIREMAN'S FUND; GEICO; OHIO CASUALTY; SAFECO; ST. PAUL; USF & G

Men and Matters

MADRID, JULY 19

Interior design

Strange things have been going on at Marconi. No relation to Marconi of Britain, Marconi Espanola was up to now part of the ITT empire. All its activities have been hived off except its defence side, which did not enter into the plans of France's CGE when it formed its joint venture with ITT last year. Nor did Marconi's £30,000-a-day losses.

After contacts with other foreign groups, and with the French obviously desperate to get the company off their hands, the Spanish Industry Ministry announced that the rump of Marconi would be 90 per cent held by a company called Gestiber while the search went on for a foreign partner. Gestiber is a management venture dedicated to company rescues. Jorge Larrumbide, its head, had already earlier in the year been given the interim task of running Marconi.

But the following week it emerged that the sale had actually been made not to Gestiber, but to another company called Prodenesa. This was, it was explained, the result of a technical problem over powers of attorney. Then it turned out that Prodenesa, headed by a one-time fellow student of Larrumbide, Javier Undabarrena, had made out a certificate of sale to Julian San Cristobal, a youthful former senior official at the Interior Ministry.

Larrumbide says he pulled out when he learnt that he was being used as a "straw man." It appears than San Cristobal, who held the sensitive post of director of security from February 1984 until last October, was contacted some time before and was quietly waiting in the wings.

His appointment as Marconi Chairman, which to some people smacks of the way things were done in the Franco regime, and the apparent smoke-screen attempt have created something of a lively controversy. On the plus side, it is said his presence will be crucial to the company's hopes of orders from several foreign countries and from the Spanish police. On the other hand, some doubt is cast on his "in" with the Interior Ministry, where his bad relations with state security chief Rafael Vera were notorious.

Drain to Spain

There is one corner of a foreign field, in fact rather more than a corner—where British management is basking in the limelight, or more accurately, in floodlights. The invasion of Spain by UK managers is unique in the history of the stormy business sector known as football.

Of the 20 clubs in the Spanish First Division, a third now have British managers, outnumbering British players. And at least one of the exiled managers believes that as long as English clubs are excluded from European competitions the trainer-drain will continue.

The pace was set three years ago by Terry Venables at Barcelona, a club that can not only afford him a £180,000 pay package but also the luxury of having three star British players on its books when it is only allowed to field two foreigners in its main squad at one time. He is now one of seven. In Seville, Jock Wallace, former Glasgow Rangers boss, runs the Seville club, and John Mortimore, fresh from Portugal where he led Benfica to a league and cup double, has signed for its rival, Betis.

Colin Addison has taken the Celta club of Vigo into the First Division. In the Basque country, where football serves as a channel for regional passions just as much as it does in Barcelona, former Liverpool star and Swansea manager John Toshack has just won the Spanish Cup with Real Sociedad, and Howard Kendall, from England champions Everton, has signed at Athletic de Bilbao. Not far away, David Storey, formerly of Queen's Park Rangers, is due to take over the Osasuna club, and ex-Manchester United boss Ron Atkinson, after missing out on a first bid, is known to be still in the market.

Southern comfort

For want of better stories, the Spanish press is back to its usual summer pastimes: speculating about Cabinet reshuffles and pursuing party leaders and members of the government in their holiday haunts.

The latter category is extended to ex-ministers, especially in order to include former Socialist Finance and Economy Minister Miguel Boyer. He is the man responsible for the austere monetarist policies pursued by the Socialists after they won power in 1982. Since leaving the government two years ago for the state-controlled Banco Exterior, Boyer has divorced and made public his relationship with Isabel Preysler, Philippines-born former wife of singer Julio Iglesias and subsequently of a grandee, the Marquis of Griñón. The couple's summer appearances among the jet set of Marbella create an allergic reaction among some fellow Socialists, all the more so in view of reports that they will be paying Pta1.7m (£8,200) in rent for their Marbella holiday villa.

Strait flush

If the Rock of Gibraltar weighs down UK-Spanish relations, the sand of the isthmus linking it to the mainland—part of which Britain counts as belonging to the colony—has an even worse clogging effect, as everybody discovered when Gibraltar Airport prevented an EC air liberalisation agreement.

The clash has not helped the atmosphere for behind-the-scenes negotiations between Britain and Spain on the airport and other Gibraltar issues. The worry now is that the whole question will loom over the official visit the Queen plans to Spain next year. British Royalty has never ventured much into Spain. The Prince and Princess of Wales visited in April, but Spaniards were ambiguous about it: predictably absorbed by questions of wardrobe but not entirely happy that this was a suitable reply to King Juan Carlos's UK trip last year.

The only British reigning monarchs to have set foot in Spain were Queen Victoria and Edward VII, both on side-trips from Biarritz. Edward did make an official visit in 1907 but was unable to put in to the port of Cartagena because of a typhoid outbreak. The trip served as a pretext for a pact between Britain, Spain and France to guarantee each other's possessions in the Mediterranean.

Carman spurned

The Spanish have never really liked Carmen. The Merimee story and Bizet opera conveyed too corny an image of Spain: flounces, castanets, voluptuous gipsies and bullfighters. But in recent years there has been a Carmen revival, both abroad (a Peter Brook pruned-down opera production and a modern Godard film version) and in Spain, with a dance adaptation by Antonio Gades, reconciling Bizet with real flamenco, and a film of the same by Carlos Saura.

The Madrid opera season was to have culminated this week with a Carmen production starring tenor Placido Domingo as Don Jose. But reality can be cornier than fiction. The opera was judged too noisy for the central Plaza Mayor and the venue was changed to the Ventas bull ring. But it has all been called off because rehearsals clashed with a bullfight.

Observer

Chris Sherwell in Sydney, on the lessons of the left's success

When the left has a right to the centre

SOMETHING unusual is happening in Australia and New Zealand. Against trends in countries like the US, Britain, West Germany and France, where voters are favouring conservative parties, "down under" they prefer the other side—Labor in Australia and Labour in New Zealand.

Ten days ago the Australian Labor party won a historic third successive election and prospects are growing of a similar success for Labour in next month's New Zealand poll. It would be the first time the party has held on since the Second World War.

Are there any lessons for left-leaning parties in other countries or even for the ruling conservatives. The answer, irritatingly, is yes and no.

With hindsight, the most important impetus to Labour's present success was its abject failure in the last decade.

Australia's Labor Government under Mr Gough Whitlam came to power in 1972 and was returned in 1974. But for all its achievements—particularly in social reform—it is now regarded as having been a disaster for Labor, especially in economic management. It fell in 1975.

In New Zealand, the Labour Government was also dislodged in 1975 after three years in office, following a massive decline in the country's terms of trade stemming from the first oil shock, Britain's entry into Europe and the death of Prime Minister Norman Kirk.

Both these Labour governments had broken a conservative trend when they came to power, but neither was capable of coping with the demands of government. It was a bitter lesson.

Once ousted, it was necessary to go back to the drawing board, although that was easier said than done. Some Labour stalwarts, principled to a fault, preferred to fight the good fight in opposition rather than win power. It took years to recognise the electoral cost of this and the associated disunity.

In Australia, the man to watch was clearly Mr Bob Hawke. As early as 1977, when still working in the trade union movement, he was angling for the Labor leadership. He had the background, the character, the ambition and the appeal.

In July 1982, he challenged the incumbent Mr Bill Hayden, and lost by a handful of votes. In February 1983, on the day Prime Minister Malcolm Fraser called an early election, Mr Hayden stood down and Mr Hawke stepped up. Twenty days later he was Prime Minister.

In New Zealand, it was the eloquent Mr David Lange who seemed destined for leadership. Like Mr Hawke, he came to parliament relatively late, through a by-election in 1977. The dominant Mr (now Sir) Robert Muldoon, leader of the National Party, was in power. Mr Bill Rowling, Labour's leader, looked weak and in 1980, with Labour languishing, an attempt to replace him with Mr Lange foundered. Then Labour lost the 1981 election and when Mr Rowling stood down, early in 1983, Mr Lange was the obvious choice.

A snap election in July 1984 made him Prime Minister.

Both Mr Hawke and Mr Lange took over parties whose internal divisions cried out for healing, and each did it with a move to the right.

This shift was not so much from an outdated, Marxist-inspired socialism to a form of European social democracy, as a recognition that intervention in the economy was not a virtue in itself and that it could not necessarily achieve the traditional goal of jobs for workers.

At the same time, the character of party branches was changing. Instead of factory, railway, construction or dock workers, labour party members were increasingly academics, teachers and social workers. Their concerns—the environment, nuclear weapons, uranium mining—were different.

Though they reflected the way Labour supporters were leaning, the changes demanded tact and skill. Both leaders talked a lot about "consensus" and worked hard to rise above the vocal interest groups permeating their parties.

They were helped by an outside factor: an old-fashioned economic crisis, perceived to have been caused by the conservatives' economic mismanagement.

By 1983, Australia, already experiencing a drought, was undergoing economic contraction with high unemployment, rising inflation, a temporary wage-freeze and a budget deficit running out of control. New Zealand saw a similar deficit explosion. Already over-regulated, it then suffered interest rate controls and a wage and price freeze. The period became known as the Muldoon Ice Age.

In both countries, people recognised that the conservatives, far from implementing free-enterprise policies, had continued along the old and fruitless paths of interventionism. The lesson was clear: deregulation offered hope.

For Labour to win power, a talented potential ministerial team was needed, and especially an energetic and determined would-be Finance Minister. In Australia, that was Mr Paul Keating, straight from one of the toughest political schools, the right wing of the New South Wales Labor party.

In New Zealand it was Mr Roger Douglas, a wealthy businessman-cum-politician, whose reformist zeal has since gone so far that "Rogernomics" has become part of New Zealand's political and economic lexicon.

Once Labour took over power, the approach which would gain further electoral success quickly became apparent.

At a mundane level, this meant ensuring that party members, especially in the parliamentary party, did not bicker in public. In an environment where the press is freer than in most countries, that is not easy. It is especially hard when the parliamentary party is organised as a caucus which meets frequently.

In Australia, the caucus, like the party as a whole, is divided along clearly identifiable lines into factions: left, centre-left and centre-unity (in fact, the right). Key issues — even appointments to cabinet — are resolved through shifting alliances and trade-offs among faction heads.

Thus, while Mr Hawke's rise was ultimately the result of a realisation that Mr Hayden could not lead Labor to victory, the change-over was conceived and executed through leading factional figures. Mr Hawke ended up accepting Mr Hayden's shadow cabinet. Bar one retirement, this did not change in more than four years up to the recent election. Mr Hawke's emergence marked the ascendancy of his centre-unity faction which, in alliance with the centre-left, could dominate the left.

Indeed, only in the past year has Mr Hawke moved from virtually disregarding the left through weight of numbers to co-opting it on issues which he perceives as electorally sensitive.

The resumption of uranium sales to France last August was a particularly heavy blow to the left; but he then began showing more concern over welfare, educational, family and environmental issues.

In New Zealand, Mr Lange's rise also represented victory for the party's right-wing. Mr Douglas set about implementing economic change in a way which put even Mr Keating's aggressive Australian programme in the shade.

This re-ordering of priorities, in favour of growth over redistribution and of deregulation over intervention, is a distinguishing feature of the two Labour governments. It is geared partly to jobs, but also to the important role played by the international financial markets.

If the two leaders are at all nervous about the policies followed by their Finance Ministers, they have not admitted it. If anything, they have come to embrace the strategies wholeheartedly—and made a virtue out of austerity.

Both Mr Hawke and Mr Lange have had to fight rearguard actions to keep their strategies on course, sometimes putting their authority on the line. But they have also used an armoury of other weapons, including patronage.

Mr Lange, for example, knows that his policies will prevail "simply because of the mechanics of power." In his government, he says: "There is me, a deputy, a further 18 ministers, two whips and I appointed six under-secretaries. There is therefore that core which will prevail. That sounds harsh. But that is the truth."

Cultivation of the trade union movement's leaders has also proved crucial. Mr Hawke and Mr Keating would have got nowhere without his enlightened leadership.

Mr Bill Kelty and Mr Simon Crean, the two senior officials of the Australian Council of Trade Unions, are linchpins in Mr Hawke's corporatism.

Like Mr Keating, they are economic rationalists. Happy with the path being followed, they enjoy access to him and even win concessions. Above all, unionised workers support them.

Helping to strengthen Labour's grip has been the embarrassing disunity of the conservative opposition. The long-standing coalition of Liberals and Nationals in Australia collapsed earlier this year because of divisions over personalities and policies. In New Zealand, the opposition National Party has had two leaders since Sir Robert Muldoon, yet the former Prime Minister is still in the shadow cabinet, angling to regain his former position.

None of this means that either Labor in Australia or Labour in New Zealand become the "natural party of government." At this point, there is no such party in either country. Labour has an increased parliamentary majority, while Labour may manage the same next month—but the margins remain narrow. The fight will continue to be for the middle ground.

Lombard

Non-heroes of our time

DEVOTING A television programme to a lecture on British television would be regarded by many producers as the epitome of what the medium should not be about. Yet last week's Richard Dimbleby Lecture on Britain's BBC2 was, in its low-key way, a splendid piece of television drama.

There, at the front of the audience, was a po-faced Mr Marmaduke Hussey, chairman of the board of governors of the BBC; at the lectern, the sprightly Sir Denis Forman, chairman of Granada Television. The drama lay in the robustness and humour with which Sir Denis questioned the fitness of the BBC's board to do the job.

They were, he implied, a bunch of amateurs who had shown a marked tendency to genuflect in the direction of the politicians. And he went on to warn against the packing of boards, both at the BBC and in independent television, with "an undue proportion of members who are responsive to the views of the government in power."

In contrast the professionals who produced the programmes were given a remarkable accolade. In Sir Denis's view the all-round performance of the BBC in the past three years, when its producers have been under unprecedented critical assault, has been as good as in any period since the early 1970s—no mean tribute from a key competitor.

Part of the appeal of this performance lay in its rarity value. When did you last hear someone from outside the BBC defend it from its detractors? Come to that, when did you last see on television a straightforward defence of freedom of expression against political interference? The fact is that the British, unlike the Americans, are remarkably casual about preserving their freedoms. The individual members of the BBC board no doubt have many merits; but would any of them feature on your own list of candidates to protect the viewer from a meddlesome state?

Much the same point could be made about the furore over the publication of Mr Peter Wright's book on the furtive doings of MI5. On his own account this one-time spy was subjected to minimal vetting on entering the service—rather less, one suspects, than recent employees at the BBC received from MI5's own plant in the organisation, Brigadier Stoneham.

It would be nice to make a hero of him: the small man struggling against the forces of bureaucracy and a vindictive prime minister to alert the public to rottenness at the heart of the state. Unfortunately his motivation was less impressive, if his own account is to be believed. When invited by the young Turks of MI5 in the mid-1970s to support their plot against Labour Prime Minister Mr (now Lord) Wilson, a move which he himself believed might topple the Government, Mr Wright's chief concern appears to have been for the security of his pension rather than his country.

The risk in all this is that the Government's own mishandling of the affair, together with further revelations of MI5's devastating incompetence, will lead the public to regard the whole thing as soap opera. The issue of accountability, scarcely a vote winner at the best of times, is forgotten.

In the United States, by contrast, the process of accountability has worked the opposite trick by turning Colonel Oliver North into a media hero. This heroism is admittedly of a vintage that does not travel. Only a nation that had been through the traumas of Vietnam could be dazzled by Colonel North's attempts to run an independent foreign policy from the White House basement. But why did it happen at all.

The humdrum moral may simply be that if the political structure is wrong, individuals will inevitably arrive at highly subjective interpretations of the national interest. Certainly in the US an 18th century constitution has manifestly failed to cope with the needs of a 20th century superpower; in Britain counter-espionage can be seen once again as being too dangerous a thing to be left to the counter-spies alone; and a libertarian would no doubt argue that the appointment of the Governor of an organisation like the BBC should not be a covert operation conducted by the government of the day.

Letters to the Editor

The hidden manifesto

From Mr E. Chalker

Sir,—Peter Riddel has drawn attention (July 13) to the fact that public debate on many of the main Conservative manifesto commitments is only just beginning. He also notes that some "local Tory vested interests" may want a say, too. How right he is!

Far from the party's manifesto having supposed democratic legitimacy because Conservatives won an overall majority of seats, it cannot even rightly be regarded as having democratic legitimacy within the party. That is not to say that Conservative Party members are opposed to the manifesto's contents, it is simply that they have never been asked.

As the election approached, various allegations were made by our opponents that there existed a "hidden manifesto." The irony is that, from the party members' point of view, the "hidden manifesto" was the one that was eventually published, in the name of the party, after the election campaign had actually begun. While waiting for it, there was a certain entertainment in scanning each day's newspaper for the latest leak or guess about what would be "our" policy for the next term, but there was also an absurdity and offensiveness about the process.

Here was a party, with over a million members, constantly proclaiming the virtues of democracy and even forcing it upon others—"power to the people" and all that—but apparently incapable of involving its members, whether directly or through representatives elected for that purpose, in the process of policy formation. One is even lead to believe that the manifesto contents were concealed from ministers (who now have to carry it out), as well as from candidates (who are now supposed to be committed to it).

There are Conservatives who do not mind the secrecy. Some even applaud it, because they rather like the feudal nature of the party and ask nothing more than to serve. Democracy is not served by such a process, however.

If the membership of the Conservative Party has not participated in drawing up the manifesto, then whose manifesto is it? It cannot truthfully be called the party's manifesto, for its members' approval is not sought even after it has been written, nor are any of the writers accountable to those members. Nor was any structured attempt made during the life of the last parliament to find out what Conservative Party members actually wanted in the next.

Many unquestionably loyal members of the party deeply regret that knee-jerk responses are all that is expected from them and believe that they deserve something better. The party is still woefully immature in many aspects of its internal arrangements, of which policy formation is but one. Those who believe in democracy must surely hope that the party will soon find the courage to begin the necessary process of reform.

Eric Chalker.
21 Ingleside Close,
Beckenham, Kent.

Problems of profit-related pay

From Mr P. M. Brown

Sir,—We are involved in discussing the introduction of PRP (Profit Related Pay) schemes with about 50 companies employing from 40 to 40,000 staff.

It is already clear that smaller companies are, despite their initial enthusiasm for the idea, inhibited by the time and cost necessary to design and get revenue approved for a properly designed scheme.

No current grants can be adapted to cover these introductory costs and the nearest, the MSC Management Extension Programme, would involve the retraining of hundreds of executives with no experience of this technique.

Could we through your columns encourage the DTI and the Treasury to consider grant assistance for consulting fees to smaller companies, who are likely to be major contributors to extra wealth creation and stability of employment if they introduce PRP, while the enthusiasm for this exciting initiative is still all the rage.

Peter B. Brown.
Reward Consultants,
9, Savoy Street, WC2R 0BA.

The community charge debate

From Mr R. A. Bickford-Smith.

Sir, — Some of your correspondents (like many other people discussing the matter) seem to be making very heavy weather of the difficulties which they foresee in ensuring that "dissident" members of the population do not evade registration and thus payment of poll tax.

In 1940, I was issued with a National Registration Identity Card, the number of which now serves as my National Health Service registration number. Subsequently, I have acquired National Insurance and Income Tax numbers.

Surely it is neither beyond the wit of computerisation nor any infringement of civil liberties that anyone who wishes to take advantage of the health service and/or the social security system should reciprocate by thereby making themselves automatically fall within the ambit of the poll tax net.

Roger A. Bickford-Smith,
Condurrow,
Grylls Parc,
Helston, Cornwall.

Need for a dynamic conversion

From Mr B. Warner

Sir,—There is an interesting parallel between the accountants versus engineers debate and your report, Too far, too fast (July 14) about the problems of the Wall Street securities firms.

One particular comment rings a bell: "We can see what the numbers say, but are trying to work out what they mean. We have to turn data into information."

Exactly the same applies in business. The "product" people, the engineers, the marketing men, on whom the whole thrust of a business operation depends, need to acquire a certain mind's-eye perception of how the financials work, before real strength and success can be created. (Most Japanese and German businessmen are engineers.) Given the perception, a business can transform. "It has all fallen into place" is a typical comment.

The problem is that this mind's-eye perception can rarely be acquired from conventional financial information. It is in the wrong form. It has first to be converted into a different form, "dynamic" rather than "static." (How do you measure the acceleration of a car? How do you measure the rate of gain of strength of a company?)

A new industry is growing up devoted to the needs and problems of creating "dynamic" control information, which is very different from conventional "static" information. Successfully grasped, accountants and engineers cease to fall out with each other, but instead find themselves working in close harmony, reinforcing each other's efforts—to the enduring benefit of British (and American) industry. No longer is the tag true that we are very good at inventing things, very poor at turning them into viable businesses. We do both.

The same is just as true in the City, on both sides of the Atlantic: witness the Kidder Peabody solution of appointing "a tool and die man from industry" to handle their financial control. The techniques do now exist to help City firms, just as much as industry.

Brian Warner.
Mill House, Talbot Place,
Blackheath, SE3.

Jobs and the inner cities

From Mrs M. Crane

Sir, — Referring to Mr A. C. Hollway's letter (June 25), I agree with the points he made.

He referred to the need to help inner cities and the Government's inability to get it right.

The grants and other financial handouts are proving ineffective. We need a completely different approach to the problem of unemployment and the decay in the inner cities.

Many companies are finding it difficult to cope with high rates in the inner cities forcing businesses to close and move to other areas. This is not helping to bring unemployment down, it is just transferring jobs to another area and leaving the inner cities with an increasing number of derelict buildings.

His suggested taxation ideas would have a better chance of bringing back investment to the inner cities to create more real jobs.

M. Crane.
6 Shorefields Village,
Liverpool L8 9XP.

Red tape holds back trees

From Mr P. Wood

Sir,—Earlier this year, a great deal of publicity was given to so-called set-aside schemes to help control agricultural surpluses by encouraging farmers to devote productive land to other purposes, including forestry.

Many farmers and landowners have indeed been encouraged and have prepared schemes to plant broadleaved trees under the Forestry Commission's existing excellent arrangements, with the set-aside element as part of what is—*in toto*—a new scheme.

They now find the Ministry of Agriculture is still discussing the details of set-aside, that legislation is not likely until the autumn and that those who want to get on and do what the Government wants are unlikely to be able to do so until next year at the earliest.

The heavy promotion of these schemes by the ministry, assisted to some extent by conservation bodies keen to see more environmental improvement, now looks a trifle hollow. Having been invited to see the dawn at Stonehenge, we are back in the barbed-wire entanglements. If the Government is to retain the respect of enterprising people it will have to cut out a great deal more of the red tape than it has already and take a great deal more care over its marketing of policies.

Peter Wood.
Newbold Farm,
Duntisbourne Abbots,
Cirencester, Glous.

FINANCIAL TIMES

Monday July 20 1987

Roderick Oram on Wall Street

Racy times ahead for 'munis'

ONCE AS pedestrian as the sewage plants and other worthy public works they finance, municipal bonds have taken on a raciness which must be a little alarming to the widows, orphans and other conservative US investors who traditionally tuck them away in their portfolios.

Squeezed by tax reform and subjected at last to sophisticated Wall Street trading techniques, munis are becoming far more volatile and complex. No one doubts they will remain a generally secure source of tax-free income, but investors can no longer take them for granted.

Concern has been heightened by recent reports that more than $12bn of bonds, about 1.5 per cent of the $720bn outstanding, were allegedly issued illegally to beat tax reform deadlines. More than 10 top brokerage firms are under investigation by a pack of agencies ranging from the Securities and Exchange Commission and the Internal Revenue Service to US attorneys in several cities.

Munis are classed as tax-free only if they are put to certain designated purposes. The authorities believe a huge volume of bonds was pumped out just before the August 31 1985 and December 31 1986 deadlines without any such goal in mind. Issuing towns and states are thought to have invested the proceeds to earn arbitrage profits illegally, by collecting more in interest income than they were paying in debt service.

Although the principal is securely invested in virtually all cases, the bonds have suffered in the secondary market. Dealers are finding it hard to trade any bond issued up to a month or so before the deadlines. Investors fear that early redemption of the bonds, or adverse rulings on retroactive tax liabilities, will hammer prices.

The consequences are likely to include tighter regulations. Wall Street firms are worried, for example, that they will have to go to the greater cost and effort of registering offer documents. Despite the wide diversity of issuers, from rich states to impecunious school boards, they have so far remained unregistered.

Tax reform had other deep consequences for munis. New issue volume of long-term bonds plunged from $209bn in 1985 to $147bn last year and a forecast $95bn this year because of a narrower range of eligible uses, state-by-state volume ceilings, a ban on arbitrage profits and other restrictive measures.

Alternative forms of securities, such as taxable munis, have been slow to develop, leaving local governments with escalating problems from the cost and availability of funds. "Their outrage is in its early stages but will get more dramatic," said one analyst.

Tax changes also upset the trading environment by withdrawing tax advantages from the only two big institutional players, which before tax reform together used to buy 50 to 60 per cent of munis. Commercial banks are rapidly winding down their positions, while property and casualty insurers are due to bow out by 1990.

Meanwhile, individual investors, who already hold about 35 per cent of the bonds outstanding in the market, have been addding to their holdings of munis, virtually the only tax-free investment left to them.

In the past, investors bought and held. Secondary trading was difficult because of the lack of a national market and the large number of small, little-known issuers - which was reflected in wide spreads between bid and ask prices.

Wall Street has changed all that with muni mutual funds. Thanks to inducements to investors such as no redemption fees and cheque writing privileges, they now hold about 25 per cent of bonds outstanding, up from 2 per cent in 1980.

Individual investors in mutual funds revelled in their new found ease of trading in April. Mutual fund managers were deluged by a tidal wave of redemptions as individual investors raised cash for income tax payments or tried to escape the general collapse of bond prices. But the market suffered liquidity problems because of the lack of institutional investors and muni prices plunged more than 12 per cent in a couple of weeks.

Volatility is also growing because sophisticated Wall Streeters are increasingly treating munis as just one more trading vehicle by, for example, playing fluctuations in the yield gap between Treasury bonds and munis.

These rapid changes could mean a higher concentration of muni business among big investment dealers at the expense of small regional brokers, for whom it has been their bedrock. Many players are, however, learning to juggle the wide range of factors now driving the market.

Clive Wolman looks at Britain's new hard line on corporate crime

Softly-softly crackdown on fraud

THE Serious Fraud Office, centrepiece of the British Government's moves to crack down on sophisticated fraudsters in the City of London and elsewhere, officially starts work today.

There had been hopes that the establishment of the SFO, which will carry out joint investigations with the police into 50 to 100 of the largest and most complex frauds each year, would mark the start of a high-profile, get-tough policy, following the US model.

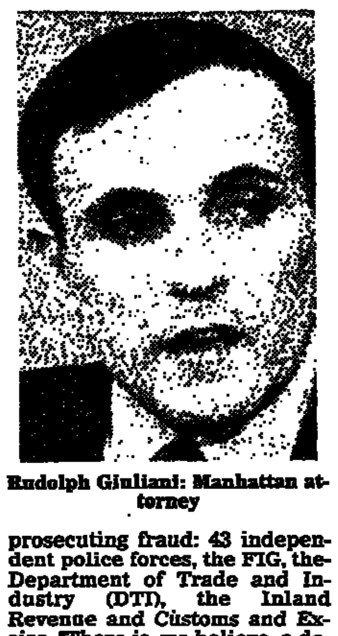
But Mr John Wood, the former deputy director of public prosecutions, whom the Attorney-General has appointed as the first SFO director, is hardly a figure in the mould of Mr Rudolph Giuliani, the US attorney in Manhattan. Mr Wood, 56, is cautious and lacks charisma but is widely respected for his legal experience and his knowledge of fraud cases. He is unlikely to go in for dramatic arrests by handcuffing bankers on City of London dealing floors.

The SFO was proposed by the Government last October as the leading reform to tackle fraudsters in response to the recommendations of the Roskill Commission on Fraud Trials published 18 months ago. It was one of the few proposals in the Criminal Justice Bill to survive the amputations made to rush the Bill through parliament before the general election.

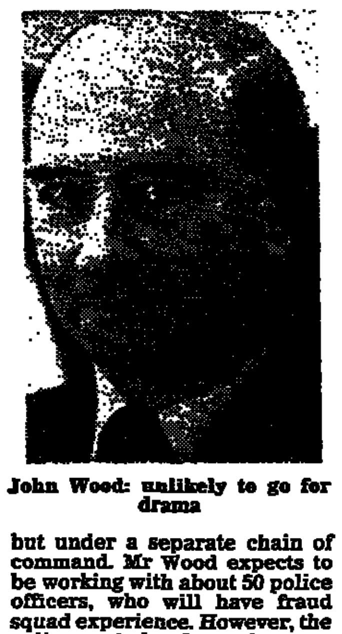
In a briefing on Thursday, Mr Wood mentioned as classic SFO cases the suspected frauds at Guinness, the Lloyd's insurance market, Johnson Matthey Bankers and that involving Mr Keith Hunt, the commodity investment manager who disappeared four years ago.

But will he be any more successful in dealing with such cases than the existing investigative agencies, in particular the Fraud Investigation Group (FIG), a much more limited form of SFO set up in 1985 with Mr Wood as its first controller? The degree to which the original Roskill proposals have been diluted leaves doubt as to whether the SFO will be a lion or a mouse.

Roskill criticised the number of bodies investigating and



Rudolph Giuliani: Manhattan attorney



John Wood: unlikely to go for drama

prosecuting fraud: 43 independent police forces, the FIG, the Department of Trade and Industry (DTI), the Inland Revenue and Customs and Excise. "There is, we believe, a degree of institutional reluctance among the organisations concerned to work fully and effectively together," the report said. It also criticised the short-term three-year postings of police officers to fraud squads, which prevented the development of expertise.

The Commission suggested setting up "a single unified organisation reponsible for all the functions of detection, investigation and prosecution of serious fraud," to be staffed by lawyers, accountants and skilled investigation officers, which could offer the police a complete career structure.

But the Government decided that bringing specialist fraud police under the control of the SFO head would be too radical a constitutional departure and too disruptive of normal police force lines of authority.

Instead, Mr Wood and the 70-strong team of lawyers, accountants and back-up staff that he is now starting to recruit will merely work in partnership with police officers. They will be situated in the same building but under a separate chain of command. Mr Wood expects to be working with about 50 police officers, who will have fraud squad experience. However, the policeman's loyalty and career aspirations will remain with his local force, which will be free to redeploy him once a particular case or period of service has been completed.

Contary to another Roskill suggestion, Mr Wood will be recruiting his all lawyers and probably most of his accountants from the senior civil service grades and on the civil service pay scale. This will mean paying maximum salaries of less than £30,000 ($49,000). Mr Wood believes that sufficient expertise can be found without paying the much higher private sector rates or asking the large legal and accountancy firms to second their staff for three years or so. However, the Treasury appears willing to grant whatever funds are necessary to make the SFO a success.

The biggest question remains over how often the other fraud agencies will be willing to hand over their cases to the SFO or at least work alongside it. The Inland Revenue has traditionally been reluctant to prosecute evaders, provided they pay their debts and penalties, an approach which could lead to a clash with the SFO. And in cases such as Guinness, Mr Wood accepts that there would be advantages to allowing the DTI to use its investigatory powers at the first stage before the SFO is called in.

Police forces are likely to be a more enthusiastic source of cases. Complex investigations such as that into Johnson Matthey Bankers often absorb large numbers of police with little to show at the end of it by way of successful prosecutions.

An even greater attraction is that the SFO will have much wider investigatory powers than the police. Those subjected to an SFO interrogation will be denied the right of silence and be compelled to produce documents.

However, as a result of pressure from bankers and the Law Society, the SFO's powers will be more limited than those of DTI inspectors investigating companies or insider dealing. The evidence that a suspect gives under compulsion to the SFO cannot be used in a criminal prosecution against him, unless he takes the witness box and gives contradictory evidence.

Mr Michael Levi, of the University College, Cardiff, a leading researcher into fraud, says it is difficult to justify overriding traditional civil liberties in insider dealing, but not in serious fraud investigations. However, he believes that the SFO will use its powers cautiously as a result of ambiguous public attitudes. Despite persistent public and press calls for tougher action against fraudsters, when such action is actually taken - for example, the recent attempts to force a journalist to disclose inside information sources - the police-state argument is revived.

"There is no political mileage in being a high-profile fraudbuster in this country; the tradition of discretion and caution is too deeply ingrained," says Mr Levi. "But at least for the first time, we have a specialist investigation and prosecution bureaucracy with a long-term interest in dealing with fraud."

EC criticises US plans for world agriculture reform

BY PETER MONTAGNON IN COPENHAGEN

THE LATEST US proposals for the reform of world agriculture go beyond the scope of what has already been agreed in the General Agreement on Tariffs and Trade (Gatt), and the European Community will never agree to a total elimination of subsidies on farm exports, Mr Frans Andriessen, EC Farm Commissioner, said at the weekend.

The EC was prepared to negotiate on agricultural reform but - in the toughest Community statement yet on the US proposals calling for a total elimination of production-related subsidies within 10 years - he told a conference on US-EC relations in Copenhagen that they went "too far, too fast".

As a wide gulf between the US and the EC developed, Mr Richard Lyng, US Agriculture Secretary, said the Community was "disappointing". Mr Daniel Amstutz, under-secretary, said later that Europe's objections were both "bothersome and substantive."

Mr Andriessen told the conference that the Community could not be blamed for holding back farm reform by its opposition to the US proposal because it went beyond what had been agreed at the Punta del Este meeting of Gatt.

Gatt called only for negotiation to improve the competitive environment "by increasing discipline" on the use of subsidies, not for their elimination, he said.

"I agree with a good deal of what the US representatives in Geneva have said about the costs of farm policies, which have escalated dramatically," he said.

"We need to reduce these costs. But the question is whether we can bring them down to zero, and I do not think that is practical or necessary by the year 2000."

He questioned whether it was technically possible for subsidy payments to be decoupled from production as the US suggested, and said that Europe would want to maintain a dual system with different prices on products sold for export and for home consumption.

"To put it very simply, Europe says yes to stability of agricultural markets - but at lower price levels; and with greater room for market forces. Europe says no to excessive instability, whether it results from natural factors such as climate or production cycles, or from the erratic fluctuations of the world agricultural markets or world money markets."

Mr Lyng said the scheme was a "proposal, and not a demand" and said there was room for negotiation on the timescale for reform which could be pushed out to 15 years. However, he insisted that the US saw the end to subsidies as a fundamental ingredient of market reform.

"We don't understand how you can achieve this thing and maintain a two-price system and a system of subsidisation," he said.

In a bid to isolate the EC and Japan, which is also resisting reform, he stressed the benefit to developing countries of abolishing subsidies.

Mr Amstutz said that part of the EC reluctance to accept sweeping reform reflected its belief in the need to ensure stability for markets which it expected to stagnate.

But the US believed that liberalisation would make for a far greater volume of business, with developing countries stepping-up their activity, both as buyers and sellers.

Japanese to curb property speculation

By Yoko Shibata in Tokyo

THE JAPANESE Ministry of Finance intends to tighten its surveillance of bank lending for property transactions, in an attempt to curb rampant speculation which has rapidly forced up land prices in the country's urban areas.

The ministry will open public hearings early this week on the question of the banks' role in property lending. It is also considering taking steps to increase the frequency with which banks report to the authorities on their loans for land transactions.

Pressure on the Government to take action of some sort has been building up since recent revelations of a scandal in which an executive of Chuo Trust and Banking is alleged to have used the bank's money for speculative property dealings.

The Government has also been considering measures to put an end to the heady rise of land prices.

However, the Finance Ministry finds itself in an acute dilemma because of the Government's decision to give top priority to the stimulation of domestic demand, including property development.

It now has the delicate task of devising measures which would effectively restrict only loans taken out for speculative land deals, while allowing an increase in lending for property developments that could contribute to the stimulation of domestic demand.

The ministry has asked banks on three previous occasions to exercise prudence in lending money for speculative land deals. Since April 1986 they have been obliged to make reports every six months on their financing of property deals. The ministry is now considering asking the banks to report on these loans every four months.

Vatican and Craxi in bitter row

Continued from Page 1

Concordat between the Holy See and the Italian state, in order to make explicit the right of Italian justice to prosecute Vatican officials accused of financial crimes committed on Italian territory.

Although the Supreme Court's reasoning has not yet been made public, it is widely believed that the decision was made on a procedural point which upheld the Vatican's claim that the arrest warrants against Monsignor Marcinkus represented an "inteference" in the affairs of the Holy See inasmuch as the Vatican bank is considered a "central organ" of the mini-state under the 1929 Lateran Pacts between Mussolini and the Church.

Yesterday, in a front-page editorial, Mr Eugenio Scalfari, editor of the Rome daily La Repubblica, argued forcefully that "the crimes attributed to Mgr Marcinkus were committed, without a shred of doubt, on Italian territory".

Mr Scalfari, among the most influential opinion makers in Italy, called for the abolition of the Concordat between Rome and the Vatican, which on the basis of the Marcinkus decision appears to allow Vatican officials freely to commit crimes in Italy without any fear of sanctions.

The fierce rhetoric from Mr Craxi, meanwhile, was answered by an equally tough declaration in L'Osservatore Romano, the Vatican official organ, which accused the Socialist Party of intimidation and proclaimed that "no one can challenge the right of the Church to speak out".

Mr Claudio Martelli, deputy socialist leader, explicitly attacked the Pope for backing the Christian Democrats

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	29	84	Malta	S	33	91	Rhodes	S	27	81
Algiers	S	30	86	Edinburgh	F	16	61	Manchester	C	16	61	Rio de J'o	S	32	90
Amsterdam	F	25	77	Faro	F	23	73	Manila	C	31	88	Rome	S	30	86
Athens	S	34	93	Florence	S	31	88	Melbourne	F	12	54	Salzburg	C	24	75
Bahrain	S	38	100	Frankfurt	F	28	82	Mexico City	S	25	77	San Francisco	C	18	65
Bangkok	S	33	91	Funchal	S	25	77	Miami	R	32	90	Seoul	C	23	73
Barcelona	F	27	81	Geneva	F	24	75	Milan	F	28	82	Singapore	S	31	88
Beirut	S	28	82	Gibraltar	S	25	77	Montreal	C	22	72	Stockholm	F	21	70
Belfast	C	16	61	Glasgow	C	16	61	Moscow	C	18	64	Strasbourg	C	24	75
Belgrade	S	31	88	Guernsey	F	16	61	Munich	F	25	77	Sydney	F	18	64
Berlin	S	27	81	Helsinki	C	19	66	Nairobi	F	23	73	Taipei	R	35	95
Biarritz	R	19	66	H. Kong	S	33	91	Naples	S	27	81	Tangier	C	25	77
Bombay	F	31	88	Innsbruck	F	26	79	Nassau	C	31	88	Tel Aviv	S	30	86
Bordeaux	R	18	64	Inverness	F	16	61	New Delhi	S	38	100	Tenerife	S	27	81
Brussels	F	24	75	Islamabad	S	38	100	New York	S	27	81	Tokyo	S	33	91
Budapest	F	25	77	Istanbul	S	29	84	Nice	T	22	72	Toronto	C	20	68
B. Aires	C	20	68	Jakarta	S	33	91	Nicosia	S	39	102	Tunis	S	34	93
Cairo	S	35	95	Jersey	C	18	64	Oporto	C	19	66	Valencia	S	34	93
Cape Town	S	20	68	Jo'burg	F	17	63	Oslo	F	24	75	Venice	S	28	82
Caracas	C	28	82	Lima	C	19	66	Paris	C	16	61	Vienna	F	28	82
Casablanca	F	24	75	Lisbon	S	26	79	Peking	C	23	73	Warsaw	F	22	72
Chicago	F	21	70	London	C	19	66	Prague	F	27	81	Washington	-	-	-
Cologne	F	28	82	Los Angeles	C	27	80	Reykjavik	C	15	59	Zurich	F	25	77
Copenhagen	C	18	64	Luxembourg	F	24	75								
Corfu	S	31	91	Madrid	F	26	79								
Dallas	S	19	66	Majorca	S	29	84								
Dublin	C	17	63	Malaga	S	33	91								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

PSD heads for victory

Continued from Page 1

have assumed the lead of the democratic Left that it badly wanted to achieve, leaving the maverick and unclearly-defined Democratic Renewal Party (PRD) of Gen Ramalho Eanes, the former President of the Republic, far back in the field.

THE PRD, which stole hundreds of thousands of PS votes in 1985 and took 18 per cent of the poll, dropped dramatically in last night's projections, to between 5 and 7 per cent: a resounding defeat for Gen Eanes who saw himself as the new leader of the Left and had hoped to use a reasonable result for the PRD as stepping stone to a further bid for the Presidency in 1991.

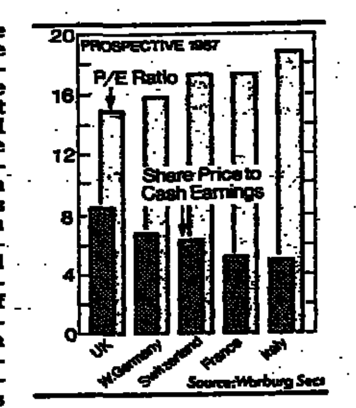
The Communists, meanwhile, held their ground with a projection of between 12 and 14 per cent of the vote – down from their 1985 result of 15.5 per cent but enough to make them Portugal's third largest political force.

The PSD's success at the polls paves the way for radical constitutional reform, negotiated from government strength with a weakened opposition – impying drastic pruning of the ovderweight public sector, and far greater emphasis on private enterprise.

THE LEX COLUMN

On the value of borders

When roughly 10 per cent of the German market's prospective corporate earnings can suddenly evaporate, thanks to a change in accounting standards, it serves to remind international investors just what a vulnerable traveller across national boundaries the "e" (of the p/e ratio) can be. Sophisticated investors have, of course, long been aware of the problems associated with differing taxation and accounting systems when calculating the earnings multiples of non-domestic markets or companies. There is, indeed, a small cottage industry dedicated to providing them with standardised accounting systems and various alternative ratios - cash earnings to share price, net assets to share price, dividend rates - which seek to provide a more objective comparative evaluation. Investors should also be helped by the slow march towards international accounting standardisation and the increasing convergence of standards among the most international companies stimulated by, for example, US listing requirements.



Minefield

However the guardians of international investment strategies should not forget that they remain in the midst of a theoretical and practical minefield. The traditional p/e ratio comparison has been dogged not just by particular national discrepancies in, say, the consolidation of subsidiaries, but by entirely different philosophies of financial reporting. Simply put, US and UK accounts are directed primarily at current and potential investors and thus tend to provide a realistic estimate of earnings, while German and Japanese accounts are drawn up with the tax authorities in mind and thus understate earnings. Analysts who dislike the simple "weight of money" thesis have found in this reasoning an almost sufficient explanation for the level of Japanese p/e's. Of course not everything fits - the Japanese continue to understate pension liabilities for example; but by Anglo-Saxon standards there is a significant trend to over-provide for future costs.

Hence the interest in the alternative "cash earnings to share price" (cash p/e) multiple, which adds back to post-tax earnings non-cash items such as depreciation and other provisions, thus eliminating the effects of excessively conservative accounting. Cash p/e's are also rather superior to the traditional kind in accounting for differential inflation rates; in fact, some accountants believe that taken to its logical conclusion cash p/e analysis leads straight to our old friend current cost accounting.

Doubts

However, some doubts about this alternative are already beginning to creep in. For one thing it does not take account of differing tax rates or, like traditional p/e's, the vagaries of extraordinary and exceptional items. More seriously it builds in distortions and volatilities of its own, particularly in relation to investment cycles. Because the depreciation sum is an indicator of capital intensity, cash p/e's will tend to undervalue earnings in service industries and make car manufacturers look undeservedly good value. This sectoral twist also has implications for calculating market p/e's, as some economies have more large metal-bashers than others. Unless share prices adapt to take account of the new benchmark of value then it will produce ratings which are simply the mirror image of the currently dominant p/e ratios, as the chart above suggests. Instead of overrating companies and countries employing the most cautious accounting methods, it will appear to reward the least cautious and lowest investing companies (or at least the slowest depreciators) with the smartest ratings.

Arguing the toss over different means of cross-border corporate valuation also assumes that there can be such a thing as a "pure value" independent of a particular market. Even if capital flows between markets continue to increase dramatically and even if the world's dominant companies continue to internationalise their productive bases there are likely to remain irredeemable national pecularities in their valuation. These will be based not only on exchange rate and interest rate prospects in a given national economy but also on the particular fancies and foibles of the dominant domestic investors (at least as long as domestic investors remain dominant).

It certainly remains the case that the overwhelming majority of international fund managers continue to take a two-step approach to foreign investment. They first decide on the basis of macro-economic indicators in which economies they wish to invest and subsequently pick on the sector or stock. In that case, the fact that p/e ratios provide faulty cross-border information is nothing to lose sleep over, so long as they are a good guide to relative values within a market.

Global

There has, it is true, been some movement towards thinking of "global sectors", putting the company - and thus cross-border sector/company comparison - before the economy. For that purpose there seems little doubt that, despite its faults, the cash p/e is the best guide, as many Europe-wide equity analysts would concur. But apart from those sectors - like energy or mining - where investors have long been used to picking companies first, there is little evidence of truly supra-national-economy investment even in pharmaceuticals, chemicals or financial services.

If the Holy Grail of trans-national corporate valuation did exist it would still be of limited use unless everyone used it. But as long as Japanese investors dominate the Japanese market and as long as faith in their own economic adaptability remains strong, they will continue to defy western sophisticates and buy their over-rated stocks. Too much faith in an international consensus on market values has already proved expensive to those many fund managers who pulled out of Japan last year, unless, that is, they switched to the UK.

Common sense suggests that international fund managers are now perusing an expanding cluster of quantitative indicators from inflation rate to cash p/e. But they would be foolish ever to disregard such qualititive matters as the degree of sophistication and liquidity in a national market, not to mention sheer sentiment. And if the rotational fad has now elevated itself from sectors within markets to national markets within the world market, no amount of rational valuation will ever be enough.

FINANCIAL TIMES
Monday July 20 1987

New lease of life for Swiss franc foreign bonds

THE SWISS franc foreign bond market has enjoyed a new lease of life over the past couple of weeks after a long period of low issuing activity and lacklustre investor interest, writes **Clare Pearson in London.**

The increased liveliness is, on the face of things, puzzling, given that this is traditionally the time when high net worth Swiss families, the archetypal stalwarts of the Swiss bond market, are piling into their BMWs and heading for the beach.

But there are a number of factors which help explain the market's activity which, if not spectacular, is higher than is usually to be expected during mid-summer.

Earlier in the year, investors were put off buying bonds by the clouds hanging over Swiss interest rates. But recently the Swiss National Bank decided to lift its money supply target in 1987 from 2 per cent to 2.5 per cent, creating more scope for slight declines in interest rates.

The more stable dollar has lessened concern about the strength of the Swiss franc, which it was feared was choking demand for Swiss exports. But though this may make the need for interest-rate cuts less pressing, many believe rates will still ease marginally this year, given the sluggish state of the economy.

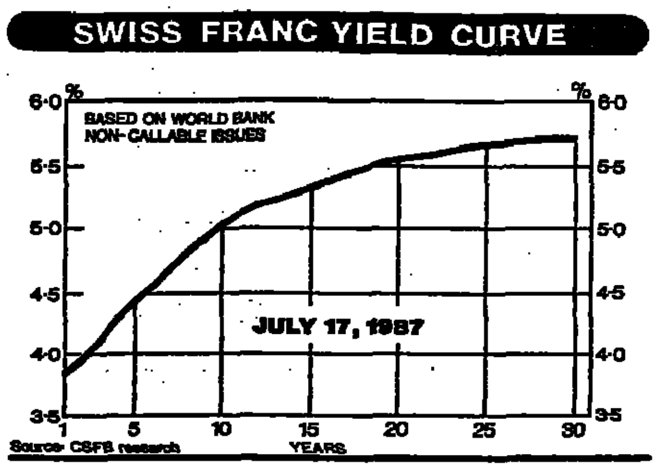
Declining competition from the Swiss equity market this year has meant that much of the money that had been lured away from bonds has been waiting in the wings for the interest-rate horizon to clear. It has been met in the first six months of the year with precious little on the supply side.

Swiss National Bank figures show that foreign borrowing in the capital markets totalled only SFr 14.2bn ($946m) in January-May 1987, compared with SFr 19.5bn in the same period in 1986. Falling world interest rates and the growth of the currency swap market have lured borrowers away to other markets.

A further technical reason for the buoyancy of the market over the last fortnight has been the downturn in short-term interest rates that regularly occurs in Switzerland at the beginning of July, when end-of-quarter liquidity pressures are alleviated.

During the period when liquidity requirements are high, investors are drawn away from bonds, and new issue managers discourage borrowers from tapping the market.

SWISS FRANC YIELD CURVE



From the borrowers' point of view, the main reason triggering their return to the market appears to be the intense competition that has developed between lead-managers. Some borrowers are being offered much tighter terms than would have been available in the past.

The main bond issuing syndicate in Switzerland has been shaken up by the aggressive drive for market share carried out by Crédit Suisse this year. At the end of the first half, Crédit Suisse emerged as having captured 25 per cent of the issues, usurping the number one slot that Union Bank of Switzerland had enjoyed for some years.

Many dealers suggest that the rush of issues since the beginning of July reflects concern about market share among the other leading players, which do not want to fall too far behind in the underwriting league tables.

It is fortunate for the underwriters that this drive for volume is coinciding with a period when professional investors in particular, who would have baulked at coupons below 5 per cent for any borrower a couple of months ago, are now prepared to consider buying lower coupon bonds.

Meanwhile, when a 5 per cent coupon is available, and provided the name is right, investors now seem eager to buy whatever the issue price or maturity, as the World Bank found with its recent 15-year issue.

Equity linked bonds, however, remain more popular than fixed-rate bonds. Some of these issues for European borrowers have been spectacularly successful. A recent SFr 250m equity warrants bond for Bayer, the West German chemicals company, for instance, was trading on Friday at 111, 11 points above its issue price.

But amid investors' concerns about the level of Tokyo share prices, Japanese equity related deals have generally proved less popular, although the Swiss franc market has so far avoided the indigestion recently seen in the Eurodollar sector for Japanese deals.

The decline of that market has in fact been drawing some borrowers back to Switzerland – where in past years many companies used to carry out much of their equity related funding. They have met mixed receptions.

Recent convertible bonds for Japanese banks, such as LTCB and Mitusbishi, have met strong responses. Mitsubishi's bond was bid on Friday at a price ½ point over its issue price. But other equity warrants bonds for Japanese industrial companies have proved less popular.

In the Eurobond market last week prices of equity warrants bonds for Japanese companies were still mainly under water. Nevertheless, Nomura International made a return to the sector as underwriter after a two-week absence.

But the issues that it led for Sumitomo Chemical and Mizuno were quoted away from the lead-manager at levels well outside their fees by the end of the week. This stimulated speculation among dealers that Nomura might be trying to indicate to its headquarters in Tokyo that the market for equity warrants bonds was still effectively closed.

BankAmerica asks Japanese to buy stock

BY YOKO SHIBATA IN TOKYO

BANKAMERICA CORPORATION, parent of the troubled US bank, has formally requested some 40 Japanese insurance companies to purchase its $100m issue of preferred stock.

Mr Frank Newman, BankAmerica's vice chairman, made the request to representatives of about 20 life insurance companies in Tokyo in two meetings late last week.

The insurance companies will consider the request individually and decide on their responses, insurance industry executives said.

Mr Newman assured the insurers that BankAmerica had sufficient reserves to pay dividends on the preferred stock but did not specify any dividend rate.

BankAmerica, which has suffered heavy losses in recent years as a result of bad loans to the US agricultural and oil sectors as well as to Latin American countries, plans to raise a total of $1bn in Japan.

It hopes to issue $250m of subordinated capital notes and $100m of preferred stock shares.

Singapore bank bid wins central approval

BY ROGER MATTHEWS IN SINGAPORE

THE SINGAPORE authorities are understood fully to support the S$258m (US$121.6m) takeover bid launched by United Overseas Bank for Industrial and Commercial Bank, the smallest of the country's six publicly listed domestic banks.

A spokesman for the Monetary Authority of Singapore (MAS), effectively the central bank, indicated at the weekend that IDB could be bought only by one of the main four local banks, and that there was no indication of a rival offer

If the bid is successful, OUB will move into second place in terms of shareholders' funds.

The MAS had been concerned for some time about the semi-public dispute between members of the family of the late Tan Kim Cheong, who founded ICB in 1954. Only two of his 10 sons are now on the main board of ICB, following a series of arguments over policy.

ICB last year recorded its worst ever results, with after-tax profit falling by 57 per cent to S$3.7m.

Relationship banking gives BTR highly favourable terms

A GRAPHIC illustration of how hard it is for banks to profit from the international loans market was delivered last week as the terms emerged of the £1bn deal for BTR, the British industrial holding company, writes **Stephen Fidler in London.**

Bankers Trust is arranging the financing, a so-called multi-option facility which includes £500m of committed finance. According to reports in the market last week, about which the bank declined comment, the mandate was won at very aggressive terms indeed.

The bank says it was predictable that competitive bidding for a prestigious financing would lead to highly favourable terms for the borrower. But the bank already has part of its six-bank underwriting group ready and says it expects the full group to be in place by the middle of this week.

For the privilege of underwriting one-sixth of this deal, or £83.3m, the reports suggest the banks will each be paid the princely sum of £8,330. That represents a fee of 1 basis point – one-hundredth of a percentage point. After syndication, the fee on the final commitment of these banks is 2.5 basis points.

The committed financing is divided into a so-called available part of a least £200m, and an unavailable portion, for which notice must be given of intended draw-down. The facility fee for the available section is 5 basis points and for the unavailable 2.5 basis points.

If drawn, the interest rate margin over London interbank offered rates would be 7.5 basis points. A utilisation fee of 5 basis points is payable if the credit is more than 50 per cent drawn.

Considering the size of the financing, the deal, extendable from the initial 5½ years to 8½ years, was being viewed by some bankers as the most aggressive by a British company yet seen in this market, and was small comfort to those who had optimistically predicted that terms had hit their lows.

The hackneyed phrase used to justify all this is "relationship banking," which bankers deny is anything akin to loss-leading.

The idea is to suffer a little pain now in order to partake in more lucrative deals in the future. This is an exclusive objective, however, since competition in international finance is so tough that there are few areas where profit margins have not already been pared to a minimum.

Mr Barry Romeril, finance director of the acquisitive group, expects that some of his company's relationship banks will not join the financing; BTR would understand, "provided they had good reasons."

This facility, which includes a tender panel to provide advances in sterling or dollars, is of a kind that is useful in building up mutual understanding, he said.

BTR's basic objectives in doing the deal are to ensure it has spare borrowing capability in hand and to restructure its existing borrowings, while at the same time lowering their cost.

In other deals, Chemical Bank was awarded a mandate for a $50m multi-option facility for Woodchester Investments, an Irish finance subsidiary of British & Commonwealth.

In the medium-term note market, SG Warburg is arranging a $200m Euro-medium term note programme for Compagnie Bancaire, the French financial group. The other dealers will be Merrill Lynch Capital Markets and Swiss Bank Corporation International.

Philadelphia National was mandated to arrange a $100m uncommitted Euro-certificate of deposit programme for San Paolo-Lariano, Luxembourg subsidiary of the San Paolo group.

EUROMARKET TURNOVER
Turnover ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	1,345.8	151.2	337.0	4,768.7
Prev	1,016.1	286.4	644.5	4,514.6
Other	1,587.9	233.3	716.1	456.9
Prev	2,886.3	177.8	–	398.1
Secondary Market				
US$	19,794.5	1,630.7	12,586.2	5,628.9
Prev	21,206.1	1,486.0	8,772.4	7,453.5
Other	18,831.9	1,085.5	4,295.5	9,236.4
Prev	21,192.2	618.3	3,429.6	11,104.5

	Cedel	Euroclear	Total
US$	17,291.8	28,849.2	46,141.0
Prev	13,389.2	31,969.4	45,358.6
Other	15,058.7	21,373.8	36,432.5
Prev	16,599.4	23,206.4	39,805.8

Week to July 16 1987 *Source: AIBD*

Fletcher set back by review on competition

BY OUR FINANCIAL STAFF

FLETCHER CHALLENGE, the New Zealand diversified industrial group, has suffered a setback in its bid to buy 35 per cent of New Zealand Forest Products, in the form of a warning from the country's Commerce Commission that it intends to delay the proposed deal for further examination.

The commission indicated in a draft determination that it was worried about the potential effects of the deal on competition in the markets for log use, pulp, packaging papers and paperboards. The commission will now review the application in more depth and will issue a final determination by November 9.

The proposal could strengthen NZFP's existing dominance in kraft packaging and paperboard and certain fine papers, as it would remove Fletcher Challenge as a potential competitor, the commission said.

Comsat opts for three core areas

BY ANATOLE KALETSKY IN NEW YORK

COMMUNICATIONS Satellite Corporation, the leading US operator of space-based telecommunication and broadcasting links, is undergoing a thorough restructuring, resulting in after-tax charges and provisions of $98m in the second quarter.

Comsat, which has been losing money on two unfinished direct broadcasting satellites and on several unprofitable manufacturing operations, said that in future it would focus its businesses on three core areas – the operation of regulated telecommunications satellites, provision of services to government and distribution of entertainment programmes.

The first area consists mainly of transmission services for long-distance telephone companies; the second is connected with defence communications; and the third involves the broadcasting of in-room entertainment programmes for hotels.

Comsat's manufacturing businesses, which centre on Amplica, a company making microwave components for the defence electronics industry, will now be sold.

The manufacturing operations appear to have been doomed by the recent collapse of Comsat's plans to merge with Continental Telephone Company (Contel). One of the objectives of this merger was to have been the combination and strengthening of the two companies' manufacturing businesses. Of the $98m in provisions to be taken by Comsat, $46m reflect the decision to sell the manufacturing operations.

A further $32m in charges are allocated to a reserve against the book value of the two direct broadcasting satellites which Comsat currently has under construction. These satellites have found no buyers and will be disposed of at a minimal value, the company said over the weekend.

An additional $16m write-off reflects the sale of various international operations grouped under Comsat International Communications. The company is also writing off $3m in costs associated with the abortive merger agreement with Contel.

Texas nets $61.9m in second quarter

By Our Financial Staff

TEXAS INSTRUMENTS, the big US semiconductor manufacturer, has reported net profits of $61.9m (equal to 73 cents a share after a previously announced three-for-one stock split) for the second quarter – over five times the $12.3m (12 cents a share) earned in the second quarter last year. Sales rose to $1.37bn from $1.24bn.

Although the second-quarter figures include a $12.7m extraordinary gain, the company said the sales of defence electronics products and semiconductors had been strong.

The company said that the present recovery in the industry "is based on more solid ground than the brief upturn in early 1986." Customers' inventories were low in relation to sales, and orders were in line with resale trends. Texas now plans a "modest increase" in capital spending this year.

Novel posts rise in profits, knitwear sales

BY KEVIN HAMLIN IN HONG KONG

NOVEL ENTERPRISES, a large Hong Kong textile group, posted a 9.4 per cent increase in net profit to HK$125.9m (US$16.1) for the year until the end of March.

Novel, which sold 25 per cent of its shares to the public in March in a flotation that raised HK$285m, said turnover had increased 11.8 per cent to HK$1.247bn, mainly due to the increased sale of knitwear, which represents 80 per cent of turnover and which is sold mainly to the US, German and Dutch markets.

The group forecasts a net profit of not less than HK$128m for the current year and said yesterday that last year's profit would have been HK$135.28m if a reorganisation, involving the acquisition of minority interests in two subsidiaries, the transfer of nearly all non-textile interests out of the group, and the acquisition of Procco International, a knitwear manufacturer in Mauritius, had been in place for the whole year.

Novel, which also has factories in Macao and China, makes sweaters under the Polo brand name. Mr K. P. Chao, chairman, said Novel wanted to diversify its markets and had chosen Japan as the target market for further expansion. He said the group's market share in Japan had increased last year and "further success can be anticipated this year."

The group said it had received first dividend payments of HK$1.5m from two joint ventures in China set up in 1985 for an investment of HK$11.3m. Novel has recommended a final dividend of HK$0.08 for the year.

Canada's top two trusts report large gains for first half

BY ROBERT GIBBENS IN MONTREAL

CANADA'S two largest trust companies have reported major gains in profits for the first half of 1987.

Canada Trustco Mortgage, now owned by Imasco, the fast foods, tobacco and retailing group, had a six-month profit of C$93.1m (US$70.4m), or C$2.26 a share, up from C$55.9m, or C$1.36, on total revenues of C$406m against C$311m.

Fourth-quarter earnings were C$50.1m, or C$1.22, against C$31.2m, or 77 cents, on revenues of C$214m against C$168m. Assets at June 30 were C$25.3bn against C$23.2bn a year earlier.

● Royal Trustco, controlled by the Peter and Edward Bronfman interests of Toronto, had second-quarter earnings of C$51m, or 37 cents a share, against C$43m, or 32 cents, a year earlier, on revenues of C$557m against C$432m.

Six-month earnings were C$94m, or 68 cents, against C$80m, or 28 cents, a year earlier, on revenues of C$1.07bn against C$845m. Assets at June 30 were C$21bn against C$18.5bn a year earlier.

● Versatile Corporation, the big Canadian shipbuilding and engineering group, has received "overwhelming support" for its plan to settle debts to unsecured creditors.

Versatile, which last year sold its Eastern Canada shipbuilding and engineering business and also its farm tractor manufacturing business in Winnipeg, said this was a crucial step in its restructuring programme. The company could now move ahead on a federal contract worth nearly C$500m to build a large icebreaker at its surviving Vancouver shipyard.

Versatile heads a consortium which has been awarded the contract on condition that Versatile overcame its financial problems.

● Mitel, the Canadian telecommunication equipment producer 51 per cent-owned by British Telecom since late 1985, sees its main future marketing opportunities in Europe, has strengthened its presence in Italy and Scandinavia and soon will begin selling in the Netherlands.

Mitel has lowered overheads, speeded stock turnover and cut capacity in line with demand and this year it will upgrade its plants, said Mr Anthony Griffiths, president, after the annual meeting in Ottawa.

● The Canadian Radio Television and Telecommunications Commission will appeal in the Supreme Court of Canada against last week's federal court decision that Bell Canada, the eastern Canada telecommunications utility, will not have to provide a rebate to customers of C$206m.

The court ruled that the commission did not have authority to order the rebate, representing excess revenues earned by Bell Canada in 1985 and 1986.

Coca-Cola in share buy-back plan

BY JAMES BUCHAN IN NEW YORK

COCA-COLA, the world's largest soft drinks company, has announced that it would buy back as much as 10 per cent of its common stock over the next three years.

The proposal to buy up to 40m shares was made late on Friday night and comes hard on the heels of a strong earnings report for the June quarter, pushing Coca-Cola stock up $2 to $47 by the close of trading on Friday. At that price level, the stock repurchase programme would cost the company nearly $2bn.

Coca-Cola, which is a strong generator of cash from its highly successful soft drinks business, last year raised $1.8bn in cash from the sale to the public of half of its main subsidiary, Coca-Cola Enterprises. Last Thursday, Coca-Cola announced that it would also float off half of its Canadian bottling subsidiary.

Mr Roberto Goizueta, chairman of the Atlanta company, said: "After the board's review today of our three-year business plan, we believe that this repurchase programme is a good use for a portion of our projected excess cash flow."

New York Times may buy new printing plant

NEW YORK TIMES' board of directors has conditionally approved spending about $400m on a new printing plant in Edison, New Jersey, AP-DJ reports from New York.

The facility, which is scheduled to be operational in 1990, would print and package the paper's Sunday edition.

The Times signed a long-term lease in March on the Edison facility, a 21-year-old building originally intended for the manufacture of air conditioners by Fedders Co. Under terms of the lease, the Times retains the right to purchase the property.

The board said its approval was conditioned upon the Times and the unions representing most of its employees reaching agreement in contract negotiations

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
US DOLLARS							
Yasuda Fire & Marine ¶‡	100	1992	5	2¼	100	Daiwa Europe	2.250
Yasuda Fire & Marine (g)¶‡	50	1992	5	2¼	100	Yamaichi Int. (HK)	2.250
Sumitomo Tst & B'ing §‡	100	2002	15	1¾	100	Sumitomo Trust Int.	1.750
Kirin Brewery ¶‡	500	1992	5	2¼	100	Nikko Secs (Europe)	2.250
Odakyu Electric R'way ¶‡	150	1992	5	2⅜	100	Yamaichi Int. (Eur)	2.375
Mitsubishi Rayon ¶‡	100	1992	5	2⅜	100	Yamaichi Int. (Eur)	2.375
Jewel Ltd. (a)†‡	100	1992	5	3/16	100.1	Daiwa Europe	–
Kobori Juken ¶	70	1992	5	(2⅜)	100	Yamaichi Int. (Eur)	*
Yokogawa Electric ¶	100	1992	5	(2⅜)	100	Daiwa Europe	*
Chrysler Fin.Corp. ‡	125	1990	3	8½	100.85	Pru-Bache	8.169
Sabre IV (b)†‡	100	1992	5	3/16	100.05	Yamaichi Int. (Eur)	–
Citicorp Mortgage Secs. (d)†‡	57	2010	5.45	¾	99.9375	Citicorp Inv. Bank	–
Sumitomo Chemical ¶	200	1992	5	(2¼)	100	Nomura Int.	*
Mitsubishi Tst & B'ing §	100	2002	15	(1¾)	100	Mitsubishi Trust Int.	*
Carps 2 Ltd. (e)†‡	80	1992	5	15bp	100.10	Pru-Bache	–
Toyo Seisan ¶	50	1992	5	(3)	100	Nikko Secs (Europe)	*
LTCB of Japan §	200	2002	15	(1¾)	100	LTCB Int.	*
Household Finance ‡	100	1990	3	8½	101¼	UBS (Secs)	8.015
Citicorp ‡	250	1990	3	8¾	101⅛	Merrill Lynch	8.311
British Telecom Fin. ‡	150	1994	7	8⅞	101¾	Morgan Stanley	8.533
Mizuno Corp. ¶	50	1992	5	(2¾)	100	Nomura Int.	*
Koa Fire & Marine Ins. §	70	2002	15	(1¾)	100	Nomura Int.	*
Toyobo Co. ¶	70	1992	5	(2½)	100	Yamaichi Int. (Eur)	*
World Bank ‡	300	1997	10	9	101½	Deutsche Bk Cap. Mkts	8.769
Kyushu Matsushita El. ¶	150	1992	5	(2⅜)	100	Yamaichi Int. (Eur)	*
Morgan Crucible (j)‡	25	1992	5	3⅝	100	Goldman Sachs	3.625
CANADIAN DOLLARS							
ECSC ‡	83	1995	8	10	101¼	Société Générale	9.953
WestLB Finance ‡	75	1991	4	9⅞	101½	WestLB	9.408
AUSTRALIAN DOLLARS							
State El. Comm. Victoria ‡	60	1992	5	13⅝	101¾	Deutsche Bk. Cap. Mkts	13.126
McDonald's Corp. ‡	100	1990	2½	13¾	101½	Morgan Stanley	12.908
Commerzbank O'seas Fin. ‡	50	1990	3	13¾	101½	Commerzbank	13.113
Chrysler Fin. Corp. ‡	75	1990	3	14⅝	101½	CSFB	13.979
IBJ Australia Bank †‡	250	1992	5	(f)	100	IBJ Int.	–
ITT Financial Corp. ‡	75	1990	3	14	101½	Goldman Sachs	13.361
WestLB Finance ‡	50	1992	5	13¾	101¾	WestLB	13.249
Kredietbank SA ‡	50	1990	3	14⅛	101½	Morgan Guaranty	13.484
BP Capital ‡	75	1992	5	13¾	103	Deutsche Bk Cap. Mkts	12.898
Bayern Hypo Finance ‡	75	1990	3	13¾	101⅝	Banque Paribas	13.061
STERLING							
TMC Mortgage Secs 2 (c)†‡	100	2014	5–7	⅜	100	Salomon Brothers	–
SWISS FRANCS							
Sakata Shokai **¶‡	30	1992	–	1⅛	100	UBS	1.250
Sumitomo Tst & B'ing **§‡	350	1992	–	¼	100	SBC	0.250
Polly Peck Int. Fin.	75	1992	–	(6)	(100)	Warburg Soditic	*
Industriekreditbank **‡	100	1994	–	4⅝	100¾	SBC	4.561
World Bank ‡	200	2002	–	5	100	UBS	5.000
Mitsubishi Tst & B'ing **§	100	1992	–	(½)	*	UBS	*
LTCB of Japan **§	100	1992	–	(⅝)	*	Crédit Suisse	*
African Dev. Bank (h)†‡	100	1994	–	¼	100	SBC	–
Nankai Elec. Railway **¶	100	1992	–	(1⅛)	100	B. della Svizzera It.	*
Prov. of Newfoundland ‡	150	2002	–	5⅛	100½	UBS	5.077
Mesa Ltd.	200 max	1992	–	(5½)	(100)	Warburg Soditic	*
Montedison Finance ф‡	75	1992	–	4⅞	122	Morgan Stanley	0.419
LUXEMBOURG FRANCS							
Kleinwort Benson ‡	600	1994	7	7	100	BIL	7.000
Swedish Export Cr. **‡	300	1993	6	7¼	100	BGL	7.250
ECUs							
NSW Treasury Corp. ‡	100	1990	3	7½	101⅛	Banque Paribas	7.071
GUILDERS							
Yokogawa Electric ¶	75	1992	5	(1½)	100	Amro Bank	*
PESETAS							
World Bank ‡	10bn	1997	10	12¼	100	Morgan Guaranty	12.250

* Not yet priced. ‡ Final terms. ** Private placement. ¶ With equity warrants. § Convertible. † Floating rate note. ‖ Currency-linked. ф With oil warrants. (a) 3/16 over 6m Libor. (b) 3/16 over 6m Libor. (c) ⅜ over 3m Libor, rises to ½ over 3m Libor if life longer than 10 years. (d) ¾ over 3m Libor. (e) 15bp over 6m Libor. (f) 80bp under Australian 3m bank bill rate. (g) Launched in Asia. (h) ¼ over 6m Libor. (j) With 'money back' warrants. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	— 12-month — High	Low
Fed Funds (weekly average)	6.50	6.63	6.69	11.34	5.71
Three-month Treasury bills	5.56	5.60	5.65	6.05	5.01
Six-month Treasury bills	5.61	5.45	5.91	6.29	5.06
Three-month prime CDs	6.67	6.68	6.55	7.25	5.46
30-day Commercial Paper	6.45	6.60	6.06	7.70	5.55
90-day Commercial Paper	6.53	6.65	6.91	7.05	5.45

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	99⅝	−⅛	8.18	8.14	8.14
20-year Treasury	106½	−¼	8.48	8.45	8.56
30-year Treasury	102⅝	−1	8.56	8.47	8.47
New 10-year "A" Financial	n/a	n/a	9.25	9.25	9.40
New "AA" Long utility	n/a	n/a	9.45	9.45	9.70
New "A" Long Industrial	n/a	n/a	9.90	9.62	9.70

Source: Salomon Bros (estimates).

Money Supply: In the week ended July 6 M1 rose by $7.3bn to $749.9bn

NRI TOKYO BOND INDEX

December 1983 = 100	16/7/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	137.07	5.52	137.00	139.56	132.88
Government Bonds	138.19	5.19	137.98	141.62	133.53
Municipal Bonds	137.25	5.87	137.32	139.32	133.51
Government-guaranteed Bonds	138.06	5.89	138.12	140.19	134.38
Bank Debentures	132.38	5.42	132.51	134.12	129.20
Corporate Bonds	136.40	6.19	136.30	136.99	131.58
Yen-denominated Foreign Bonds	139.77	6.98	139.58	138.26	133.88
Government 10-year†	—	4.89	4.91	4.26	5.30

† Estimated par yield.

Source: Nomura Research Institute.

US MONEY AND CREDIT

Bulls in the ascendant once again

THE US bond market has recently been dominated by two convictions about historic trends. Unfortunately, the two supposed new trends are pulling prices in opposite directions.

The dollar sems definitely to have turned the corner, according to a market consensus which is becoming more widely shared by the day. The bond rally has gained confidence and breadth with each new setback suffered, and then quickly overcome by the US currency — last Thursday's awful trade figures being the most spectacular example.

In the present bullish atmosphere towards the dollar, US bonds would almost seem a one-way bet if only it were not for the other conviction which has gripped the international financial markets: Oil prices, too, seem clearly to be on the rise.

Fears of higher oil and commodity prices are bad enough at present to frighten investors away from bonds of every kind — not only in the dollar but in other currencies as well. As a result, there has been an uneasy stand-off between the bulls and bears in the US bond market.

The net outcome of the last week's events was essentially flat bond prices, with most long Treasury bonds down half a point or so (although the benchmark 8.75 per cent of 2017 fell by rather more), while mortgage-backed and muncipal securities ended the week up by a similar amount.

In terms of market sentiment, however, the bulls seem once again to be in the ascendant. The trend towards a stronger dollar seems to be viewed with far more confidence than the turnround in commodities and oil. And, most important of all, the Federal Reserve Board is widely held to be encouraging the market's newly confident spirit.

To use a recently-coined piece of market jargon which sets new records for inelegance and obscurity, the Fed is now believed to be in the midst of a "desnugging process." Snugging, it will be remembered, was the term favoured by Mr Paul Volcker, the outgoing Fed chairman, to describe the tightening of monetary policy which contributed to the bond market's bloodbath in the spring.

Now that the dollar has strengthened there is, according to Mr Philip Braverman of Irving Securities, "ample justification for desnugging" and mounting evidence of "a step-by-step reversal of the three-quarter percentage points rise in the Federal funds rate from 6 to 6.75 per cent."

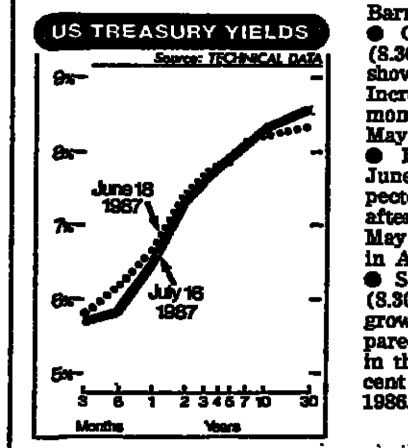
Mr Henry Kaufman of Salomon Brothers takes essentially the same view, although his analysis of Fed action is more microscopic. "Given the dollar's improved performance, monetary authorities may be unwinding part of the second stage of the April-May tightening," he says. Considering this second stage drove the Fed funds rate up by ¼ point, from 6.5 to 6.75 per cent, a hedged prediction that this process may now be partially reversed leaves few hostages to fortune.

The market hopes that the Fed's attitude may become clearer tomorrow, when Mr Volcker delivers his six-monthly Humphrey Hawkins testimony to Congress. Under normal circumstances the hopes of a clear statement by the Fed might seem to be in vain, but this time the testimoney could be different.

It will be Mr Volcker's final appearance before Congress before he retires as Fed chairman next month—and even Mr Volcker may suffer enough from human vanity to wish to mark this historic occasion with a public flourish.

On a less personal note, the recent strengthening of the dollar, the discouraging trade figures and the general weakness of the US economic indicators are bound to generate some pressure from the Congressmen for a clarification of interest and exchange rate policies.

On the other hand, Mr Volcker might still have strong reasons to obfuscate. Refusal to confirm an easing of policy would probably be seen in the currency markets as an endorsement of the trend towards a higher dollar.



Such an implicit endorsement would obviously carry risks. It could set off a dollar-buying frenzy which would only have to be reversed in the medium-term. However, there would also be tactical attractions from the Fed's standpoint in some further strengthening of the pro-dollar sentiment in the market.

This would alow central banks around the world to sell off at a handsome profit some of the immense dollar positions they accumulated during the early part of the year and to prepare themselves for further dollar support operations should these become necessary in the future.

A continuation of the enthusiasm for dollars would also help to confuse the markets and confound speculators. If the US authorities actually want to see the dollar lower next year than it is today — and the trade figures suggest that they probably still do — it is very much in their interests to tempt some speculators to remain as enthusiastic as possible about the US currency.

Only then can they guarantee the continuation of a "soft landing"—and ensure that the biggest losses from the dollar's decline are borne by the Japanese financial institutions which keep rushing into the US bond market just as the currency is being primed for a further fall.

* * *

The following economic indicators were scheduled for release this week, along with the consensus forecasts as estimated on Friday by Smith Barney:

- Consumer prices for June (8.30 am Wednesday) should show a rise of 0.4 per cent. Increases in the previous two months were 0.3 per cent in May and 0.4 per cent in April.
- Durable goods orders for June (8.30 Thursday) are expected to remain unchanged, after a fall of 0.3 per cent in May and a rise of 0.7 per cent in April.
- Second-quarter GNP figures (8.30 Friday) should show growth of 2 to 2.5 per cent compared with a rise of 4.8 per cent in the first quarter and 1.1 per cent in the fourth quarter of 1986.

Anatole Kaletsky

UK GILTS

Hints of revival in foreign interest

THERE WAS a distinctly European feel to the UK government bond market last week. Employees at Alexanders Laing and Cruickshank, now to be taken over by Credit Lyonnais as part of the agreed takeover of Mercantile House by British & Commonwealth, have already started answering their telephones with a delightful "bonjour."

The news of ALC's new ownership came hard on the heels of the announcement of merger talks between Hill Samuel (which includes its gilt-edged market maker Hill Samuel Wood Mackenzie) and Union Bank of Switzerland, owner of Phillips & Drew.

If the bid goes through, it is almost inconceivable that Hill Samuel's gilt business, which has always been modest, would avoid being subsumed by Phillips & Drew, acknowledged to be one of the market's principal players.

In the spirit of structural changes in the London financial world, if not on a European theme, the slashing of Morgan Grenfell's gilts team struck a cautionary note.

Some casualties in the gilts market, albeit of an individual, not corporate, kind, might have been expected after Lloyds Bank announced it was pulling out of market making. There is no doubt other houses which have found the market hard going had already been asking themselves some tough questions about their gilt operations.

The Lloyds decision has removed the embarrassment of publicly announcing action to put things right, while Morgan Grenfell's slimming campaign could be the first of several.

Lloyds apart, the period of flat trading as soon as the election was announced, followed by a falling market when most market makers were long of stock, may prove to have been the straw that broke the camel's back for some houses.

On a happier note, the announcements of new ownership and proposed new ownership last week were at least proof of imense interest overseas in gaining a stake in Britain's financial sector, including its gilt-edged market makers.

The same cannot be said, at least for the time being, about overseas demand for gilts themselves. There were hints by the end of last week of some revival in foreign interest as sterling rose on the back of a temporarily vulnerable dollar and surging oil prices. Stocks which are tax-free for foreigners seemed marginally to outperform others, and there was talk of modest Japanese and US buying.

However, there still seems to be a great measure of caution towards gilts. West German fund managers, already frustrated with German investors' current propensity to hold their cash on deposit and shun their own domestic bond market, seem mostly to have divested their holdings of gilts about three weeks before the election and, at these levels, have little intntion of stepping back in.

Some talked about yields having to rise to perhaps 9¾ per cent, a long way from the roughly 9.02 per cent yield last Friday on the benchmark long 11¾ per cent Treasury 2003/07, before German funds would be prepared to raise the proportion of gilts in their portfolios.

German fund managers' worries seemed to centre on inflationary pressures in the British economy. They appear to have two views on the currency, both effectively negative for gilts. On the one hand, the Bank's efforts to stop sterling rising above DM 3.00 cuts out the currency play. On the other hand, many Germans continue to see the pound as intrinsically vulnerable.

It may be that these traditionally cautious German views are not shared by other potential investors.

The market (and British monetary policy in general) could be poised for a fascinating time, although much depends on the dollar. Last week's brief bout of dollar weakness showed how swiftly the authorities could again be faced with the dilemma they faced before the election.

There is a political imperative to stop sterling rising so high as to scupper Britain's export performance. Yet the Bank of England is also worried about the amount of liquidity in the economy.

Does the Bank go on intervening to cap sterling's strength, boosting liquidity further and at the same time raising its need to fund? Or does it accede to a cut in interest rates and threaten even looser conditions? Or does it allow sterling to rise. These are problems with which the Bundesbank is all too familiar.

Janet Bush

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN Bank 8½ 91	150	99⅝	+⅛	8.61
Aetna Life & Cas 7¾ 16	200	94⅞	0	8.22
AHFC O/S Fin 11¼ 94	100	100	+½	11.71
AIDC 11 89	75	103⅛	0	8.46
Alcoa Australia 11 92	80	103¼	+⅛	10.14
American Exps 12⅝ 88	150	104¼	+⅛	8.37
Asian Dev Bk 11¼ 93	100	109	−⅞	9.75
[illegible]				

PostOch Kred 13½ 87	50	[illegible]		
Postipankki 11⅛ 90	75	105		8.89
Procter & Gam 10 95	150	105¾		9.04
Pru Rlty Secs 0 99	365	32¾	+⅛	10.07
Qantas Airways 8⅝ 96	97	95⅝	−⅛	9.36
Quebec Prov 13 90	150	111	+⅛	8.97
Queensld Gvt 11½ 89	100	106¾	+⅛	8.35
Ralston Purina 11¼ 95	150	108⅝	0	10.13
Reynolds R. J. 10¼ 93	100	105	−⅛	9.14
[illegible]				

Fujitsu 3 99	100	149½	+5½	4.36
Gibraltar Savings 7½ 06	100	90¼	+6⅜	30.97
ITT 4¾ 87	50	108	+2¾	−2.04
Kinder-Care Int 6¼ 98	50	0	0	—
Lorimar-Telepics 6 01	100	87⅛	−0⅛	89.11
Newmont Mining 7 01	100	135½	−0⅛	−1.84
Nippon Seiko 3¾ 99	70	154½	+1½	0.90
IBM 6⅜ 96	300	128⅝	+4⅞	6.32
Rockefeller Centre 0 00	952	26¾	0	−71.28
Southwest Air 6¾ 98	95	89	−0⅛	68.33
[illegible]				

[illegible]				
Petro-Canada 7¾ 96	200	98⅞	0	9.22
Philip Morris 9⅞ 98	200	102⅞	0	9.50
Fanuc 3¾ 98	80	257⅝	+12	7.71
Westpac Bking 12¼ 92 31/1/90	116¼	+2½		9.55
WeyerhaeuserC 11½ 90 15/11/87	51¼	0		9.11

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on July 17.

Many applicants rejected by BAA

BY RICHARD TOMKINS

THE GOVERNMENT'S desire to avoid a ballot for shares in BAA, formerly the British Airports Authority, has led to large numbers of applicants being rejected and the remainder receiving smaller allocations than in any recent privatisation issue.

Some 2.47m applicants applied for a total of 2.1bn shares in the fixed price offer for sale, just over eight times the 260m shares available to the public and employees. The number of applications was greater than the *2m for Rolls-Royce* and 1.1m for British Airways, but well short of the 4.5m for British Gas and 5m for TSB.

A ballot has been avoided by rejecting outright all applications for more than 1,000 shares. These represent nearly 13 per cent of the total.

All applicants for 1,000 shares or less will receive 100 shares regardless of the size of application. This figure compares with a minimum allocation of 150 shares for Rolls-Royce, and considerably higher figures for the other recent privatisation issue.

The scope for speculative profits will therefore be small. If the "grey" market price of 145p for the 100p partly-paid shares prove an accurate guide to the first-day dealing price, sellers can hope to make a profit of only about £25 each after meeting dealing costs of about £20.

The results of the tender offer, representing a quarter of the total issue, will not be announced until Wednesday. County NatWest, the Government's merchant bank adviser on the issue, said the tender offer had been subscribed about six times.

BAA employees and pensioners applied for 24.4m shares on preferential terms. Those applying for up to 4,082 shares will receive all they sought, and the surplus will be treated as though it was a public application.

Jacksons Bourne surges

Pre-tax profit of **Jacksons Bourne End** almost quadrupled to £383,000 in the year ended March 31 1987, compared with £105,000, as losses on dis*continued operations* were reduced from £801,000 to £428,000.

The figures related to the period prior to the acquisition of a controlling interest in Jacksons by Bugge Eiendoms, a Norwegian property and *investment group.*

Jacksons makes inner soles and other components for the shoe manufacturing industry and owns properties in Bourne End and High Wycombe, Bucks.

Current developments, along with prospects, will be outlined in the annual report.

Turnover of continued operations came to £3.17m (£3.21m) *and trading profit to* £293,000 (£540,000) after higher cost of sales. Rents receivable totalled £229,000 (£251,000) and interest due £289,000 (£115,000).

Earnings were 16.7p (4.2p) and the dividend is held at 6p net with an unchanged final of 4p.

After tax and extraordinary charges £477,000 (credits £402,000) there was an attributable loss of £249,000 (profit £365,000).

Thorn has near 5% of USH

By Richard Tomkins

SPECULATION ABOUT a pos*sible bid for United Scientific* **Holdings** increased over the weekend following confirmation that Thorn EMI had acquired a 4.9 per cent stake in the company.

Mr David Fraser, USH's chief executive, disclosed yesterday that the stake had been detected 10 weeks ago. Since then, he said, there had been discussions between the two companies and another meeting was due shortly; but he would not describe the object of the discussions.

United Scientific, a defence contractor, has gone through a troubled period in which pre-tax profits dropped from £10.1m in 1985 to £3.3m in the year to last September.

This has prompted recurrent bid speculation. However, the last interim figures showed a strong recovery, and *last month,* USH added a third leg to its electro-optics and military vehicle operations through the £4.3m acquisition of Invertron, a private company making military simulation and training systems.

Victoria Carpet

Victoria Carpet Holdings, manufacturer and distributor of carpets, saw pre-tax profits fall from £1.74m to £1.54m on *turnover up from* £29.13m at £30.91m in the year to March 31 1987.

However, the directors said that the period had been one of considerable achievement—the UK company more than doubled its profits and the Australian company performed well in adverse conditions—and they propose an inucrease in the dividend from 2.5p to 2.75p.

After tax of £550,467 (£739,557), earnings fell from 16.52p to 16.29p.

Debenham Tewson share offer at 170p

BY RICHARD TOMKINS

Debenham Tewson & Chinnocks today becomes the latest in a series of chartered surveyors to seek a quotation. It is coming to the stock market through an offer for sale which will value it at £46.1m.

Kleinwort Benson, the merchant bank, is offering a quarter of *Debenham's* total equity at 170p, so the value of the issue is £11m. Broker to the flotation is Cazenove.

Debenham says it is one of Britain's few major practices of national and international property advisers. Founded in 1853, *it now provides advice on* commercial property, development land, and central London residential property.

Its business is split into three main divisions: agency, investment and financial services, general consultancy, and pro*perty management. In recent* years, Debenham says, the group has benefited from its strategy of increasing the integration between the three.

The prospectus shows *pre-tax* profits rising from £1.1m to £2.9m in the five years to April *1987. There is no profits* forecast, so the company is coming to the market on an historic p/e ratio of 22.9.

Other chartered surveyors and commercial estate agents which have come to the stock market include Baker Harris Saunders, Fletcher King, Sinclair Goldsmith and de Morgan.

● **comment**

If it has taken Debenham 134 years to get pre-tax profits up to £2.9m, that does not bode well for earnings growth to the year 2121. *More seriously*, it is a remarkably low figure for a commercial estate agent employing 410 people: Baker Harris Saunders will likely turn in somewhere around the same profits as Debenham in 1987-88 with only a tenth of the staff. In one sense, that is a plus: it means there is ample scope in Debenham's margins to provide earnings growth exceeding the 29 per cent compound increase in pre-tax profits achieved over the past five years. On the downside, an unusual directors' service agreement provides for 47.5 per cent of earnings growth above the 30 per cent level to be diverted into the directors' bonus scheme, so shareholders will not see the whole of it. Whether the Debenham flotation warrants a multiple on a par with the prospective p/e given to Sock Shop is debatable. In the sense that both companies appear to be newcomers to fast profits growth, it is perhaps somehow appropriate. And at the end of the day, Deben*ham is asking for* a *rating no* higher than those now held by the surveyors which have gone before.

Wellman in £2.3m cash call

By Janice Warman

Wellman, the engineering *group which has climbed out* of heavy losses, announced a £2.3m rights issue along with doubled pre-tax profits and a financial restructuring.

Proceeds of the issue would be used to reduce borrowings and to support work on new contracts.

Recovery of the group had taken longer than anticipated, and while the underlying level of profitability had been encouraging the group had been operating with insufficient financial resources.

The board proposes a financial restructuring, reducing the nominal value of ordinary shares from 25p to 5p and of preference shares from £1 to 20p, and eliminating the current deficit on distributable reserves.

The one-for-four rights of 6.48m ordinary *shares* at 40p each, has been fully underwritten by Kleinwort Benson. James Capel and Co are brokers.

Citygrove seeks finance for Swansea project

Citygrove, the USM-quoted specialist property developer, plans to raise £3.5m in a placing and offer to fund a £1.6m contribution to its Swansea leisure complex development to provide interim financing of the project and working capital for expansion.

The 1.26m shares will first be made available to qualifying shareholders at the rate of two *offer shares at 280p for every* 11 ordinary.

The board has always pre-sold its retail developments but has decided to retain an interest in the 210,000 sq ft Swansea project, which will cost about £11.3m to build.

It has signed agreements to lease with Children's World, the children's clothing and accessories group, Granada Group, a bowling centre, and Toys "R" Us.

The group produced pre-tax profits of £715,000 for the year to end-November, 1986, beating its forecast at the time of its flotation by £90,000.

Strong demand for out-of-town retail space has continued and the board expects to more than double the area under construction by the end of the current year. An interim dividend of 1.5p is expected.

Hill Samuel has conditionally placed the new shares through the company's stockbrokers, Wood Mackenzie.

Turnbull Scott loss on charter failure

By Clay Harris

Turnbull Scott Holdings, the shipping and engineering group, was pulled into loss last year by the liquidation of a company which had chartered two of its vessels.

Resulting costs contributed to exceptional charges and that led to a pre-tax loss of £447,000 in the year ended March 31 1987 (£87,000 profit), despite a trading surplus of £235,000.

Repossession of the vessels cost £120,000 and the company took an additional £353,000 charge to write them down to their estimated realisable value. The vessels are now trading on the spot market.

Turnbull also reported exceptional charges of £127,000 for redundancy costs and of £82,000 for the writing down of intangible assets gained through an acquisition. Turnover rose to £17.2m (£16.3m).

A deferred tax charge of £472,000 helped to deepen the year's loss to £963,000 (profit £109,000), or 95p per share (earnings 11p). Turnbull also took an *extraordinary* provision of £251,000, reflecting the writedown of fishing assets.

An unchanged final dividend of 6p maintains the total at 9p. The results were announced after Turnbull shares had added 5p to 605p on Friday. Non-voting A shares were unchanged at 450p.

Park Food rises 15%

Park Food Group, the UK's largest supplier of Christmas hampers, announced pre-tax profits up 15 per cent to £2.62m for the year to March 31 1987.

The group made three acquisitions during the year—Lamb & Watt, a wine and spirit bottler, Everfresh, a frozen food distributor and Shaklee (UK), a healthfood and beauty care company.

Mr Peter Johnson, managing director, said that Lamb & Watt had provided good growth, but that turnover, which had risen 41 per cent to £69.5m, had been distorted by a duty element of £8m.

The core business remained the hamper and vouchers division, with turnover of £49.12m and profits of £2.39m. Other food activities made a loss of £268,000.

Earnings per share rose by 34 per cent to 16.5p (12.34p). A final dividend of 3.25p makes a total of 4.8p (4.2p).

BOARD MEETINGS

TODAY

Interims:—Charterhall.

Finals:—Philip Harris, Sutcliffe Speakman.

FUTURE DATES

Interims:—	
British Vita	July 31
Bullough	July 27
Continental and Industrial Tst	Aug 11
Creats	July 27
Davies and Metcalfe	Aug 7
Jourdan (Thomas)	July 28
Kleinwort Benson Lonsdale	Sept 22
Law Debenture	Aug 6
Process Systems	Aug 10
Finals:—	
Black (Peter)	July 30
Clark (Matthew)	July 28
Cray Electronics	July 30
Peel	Aug 4

PENDING DIVIDENDS

	Date	Announcement last year
BBA	Aug 14	Interim 1.0
*Barclays	July 30	Interim 9.5
*Britoil	July 31	Interim 2.0
*Commercial Union	Aug 12	Interim 5.2
De Beers	Aug 19	Interim 20c
*Dee Corp	July 23	Final 4.4
GKN	Aug 6	Interim 5.0
Glynwed	Aug 5	Interim 3.5
Gold Flds SA	Aug 19	Final 10.5c
GUS	July 23	Final 14.0
Jaguar	Aug 16	Interim 3.3
*Lex Service	July 24	Interim 4.1
*Lloyds Bank	July 24	Interim 6.25
*Mercantile House	July 29	Final 9.75
Midland Bk	July 31	Interim 11.5
*NatWest	July 28	Interim 7.0
*Rank Org	July 16	Interim 6.25
Reuters	July 28	Interim 1.75
*Royal Ins	Aug 13	Interim 10.5
STC	Aug 4	Interim 1.5
Smith and Nephew	Aug 6	Interim 0.83
Standard Chartered	Aug 19	Interim 12.5
TI	Aug 7	Interim 6.0
Ultramar	Aug 12	Interim 2.0

FINANCIAL TIMES STOCK INDICES

	July 17	July 16	July 15	July 14	July 13	July 10	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	91.20	91.12	90.95	90.70	90.74	90.55	93.32	84.49	127.4	49.18
Fixed Interest	98.78	98.51	98.29	98.30	98.29	97.90	99.12	90.23	150.4	50.53
Ordinary	1916.9	1926.2	1908.6	1892.6	1877.8	1868.8	1926.2	1320.2	1926.2	49.4
Gold Mines	429.7	423.0	414.6	413.4	405.2	407.4	485.0	288.2	734.7	43.5
FT-Act All Share	1234.49	1238.57	1227.45	1218.15	1210.66	1206.18	1238.57	835.48	1238.57	61.92
FT-SE 100	2428.7	2443.4	2419.2	2403.0	2386.6	2382.0	2443.4	1674.5	2443.4	986.9

هكذا من الأصل

URGENT

HOGG ROBINSON SHAREHOLDERS

TSB Group's 600p per share cash offer is conditional on the demerger not being approved at the EGM on 27th July.

Hogg Robinson shareholders have been sent a letter from Sir John Read, TSB Group's Chairman, together with a copy of the announcement of the offer and a proxy form.

If you have not received this information by Tuesday 21st July, please telephone 01-606 7070 during business hours. The information will be sent to you immediately.

This advertisement is published by Lazard Brothers & Co., Limited on behalf of TSB Group plc. The directors of TSB Group plc are the persons responsible for the information contained in this advertisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts. The directors of TSB Group plc accept responsibility accordingly.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 17 1987					THURSDAY JULY 16 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	148.14	+0.8	136.54	138.73	2.85	147.03	133.65	137.39	148.14	99.92	76.41
Austria (16)	93.28	+2.0	85.98	89.70	2.32	91.49	83.16	87.18	101.62	85.53	86.82
Belgium (48)	125.69	−0.8	115.85	119.80	4.05	126.72	115.19	119.22	126.72	96.19	81.10
Canada (132)	138.59	+0.1	127.74	132.32	2.10	138.45	125.85	132.54	138.59	100.00	95.73
Denmark (39)	113.57	−1.1	104.68	108.94	2.57	114.80	104.35	108.87	124.10	98.18	98.90
France (121)	107.23	−1.8	98.84	104.04	2.75	109.23	99.29	104.77	121.82	98.39	87.56
West Germany (92)	98.79	−0.4	91.06	95.45	2.00	99.22	90.19	94.76	100.39	84.00	80.14
Hong Kong (45)	133.61	+1.2	123.15	133.95	2.70	132.05	120.03	132.38	133.61	96.89	71.22
Ireland (14)	142.60	−1.0	131.43	139.24	3.25	144.04	130.94	139.11	145.41	99.50	93.43
Italy (76)	96.35	+0.5	88.81	96.71	1.89	95.89	87.17	95.18	112.11	93.47	84.50
Japan (458)	131.12	−1.9	120.86	126.61	0.54	133.63	121.47	127.13	161.28	100.00	87.93
Malaysia (36)	186.58	+0.4	171.97	183.16	2.05	185.76	168.85	181.59	186.58	98.24	80.32
Mexico (14)	289.72	+0.2	267.04	439.82	0.68	289.14	262.83	436.89	289.72	99.72	52.20
Netherland (38)	127.97	+0.1	117.96	122.16	3.66	127.82	116.18	120.61	127.97	99.65	91.12
New Zealand (26)	108.38	+1.1	99.90	94.91	2.95	107.18	97.42	94.10	108.38	83.93	72.51
Norway (24)	152.14	+1.9	140.23	139.75	1.97	149.35	135.76	135.97	152.14	100.00	97.57
Singapore (27)	162.00	+0.9	149.32	158.49	1.56	160.60	145.98	156.68	162.00	99.29	79.14
South Africa (61)	176.57	+0.3	162.74	128.68	3.20	176.05	160.03	128.30	186.74	100.00	71.50
Spain (43)	127.35	+0.8	117.38	122.58	3.32	126.40	114.90	120.85	127.35	100.00	83.45
Sweden (33)	119.51	−0.4	110.16	114.20	2.04	120.02	109.09	113.84	124.68	90.85	90.16
Switzerland (53)	101.30	+1.2	93.37	97.19	1.73	100.07	90.96	94.86	104.06	92.01	84.20
United Kingdom (336)	160.01	−1.8	147.49	147.49	2.99	162.87	148.04	148.04	162.87	99.65	96.90
USA (591)	128.24	+0.5	118.20	128.24	2.82	127.57	115.96	127.57	128.24	100.00	98.93
Europe (933)	127.09	−1.0	117.14	120.39	2.74	128.35	116.67	120.08	128.35	99.78	89.10
Pacific Basin (686)	131.84	−1.7	121.52	127.21	0.72	134.06	121.86	127.59	158.77	100.00	86.94
Euro—Pacific (1619)	129.99	−1.4	119.82	124.49	1.51	131.83	119.83	124.58	143.65	100.00	87.79
North America (723)	128.80	+0.5	118.72	128.49	2.78	128.16	116.50	127.88	128.80	100.00	98.76
Europe Ex. UK (597)	106.64	−0.3	98.30	103.40	2.49	106.91	97.19	102.51	107.75	98.02	84.39
Pacific Ex. Japan (228)	140.72	+0.9	129.71	134.45	2.71	139.44	126.76	133.07	140.72	99.92	74.57
World Ex. US (1826)	130.91	−1.3	120.66	125.03	1.55	132.64	120.57	125.13	143.38	100.00	87.87
World Ex. UK (2081)	126.88	−0.5	116.95	124.23	1.92	127.48	115.88	123.96	133.61	100.00	91.75
World Ex. So. Af. (2356)	129.53	−0.6	119.39	126.33	2.03	130.34	118.48	126.14	135.02	100.00	92.31
World Ex. Japan (1959)	129.24	+0.0	119.12	126.26	2.76	129.23	117.47	125.72	129.24	100.00	94.22
The World Index (2417)	129.83	−0.6	119.66	126.38	2.04	130.63	118.74	126.19	135.15	100.00	92.18

Base values: Dec. 31, 1986 = 100

CONSTITUENT CHANGES: Deletions, Moonie Oil and Monier (Australia). Name changes: Feltex NZ to Feltech Intl. (New Zealand) and CIT-Alcatel to Alcatel (Cie Fin) (France).

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$480	23	3.50	20	15	22	24	$450.30
GOLD C	$500	34	1.50	8	11.20	5	19.50	"
GOLD P	$420	5	0.60	10	4.10	—	—	"
GOLD P	$460	—	—	—	—	10	20.50	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$700	70	85	—	—	16	175A	$753
SILVER C	$800	—	—	12	80A	2	100	"
SILVER C	$850	20	40A	11	55	—	—	"
SILVER C	$900	35	25	12	50	—	—	"
		Jul 87		Aug 87		Sep 87		
$/FL C	Fl.195	—	—	—	—	1	13.30B	Fl.208.69
$/FL C	Fl.200	34	7.80B	2	8.30B	17	8.80	"
$/FL C	Fl.205	167	3	60	4.30	50	5.20	"
$/FL C	Fl.210	30	0.05	104	1.45	113	2.70	"
$/FL C	Fl.215	—	—	100	0.60	2	0.90	"
$/FL P	Fl.195	—	—	1	0.50A	—	—	"
$/FL P	Fl.200	—	—	—	—	10	0.80	"
$/FL P	Fl.205	—	—	3	1.10	—	—	"
$/FL P	Fl.210	16	1.70A	54	3.45	67	4.30	"
		Dec 87		Mar 88		June 88		
$/FL C	Fl.190	—	—	15	18.30B	—	—	Fl.208.69
$/FL C	Fl.195	4	13.30B	20	13.30B	24	14	"
$/FL C	Fl.200	22	9.30B	36	10.70	—	—	"
$/FL C	Fl.205	50	6.50	2	7.10	4	8	"
$/FL C	Fl.210	304	4.50	—	—	—	—	"
$/FL P	Fl.190	—	—	11	1.70	—	—	"
$/FL P	Fl.195	—	—	—	—	22	4.50A	"
$/FL P	Fl.200	8	2.80A	36	4.40	20	6.20	"
$/FL P	Fl.205	40	4.70	—	—	—	—	"
$/FL P	Fl.210	60	7.10A	5	9.20A	—	—	"

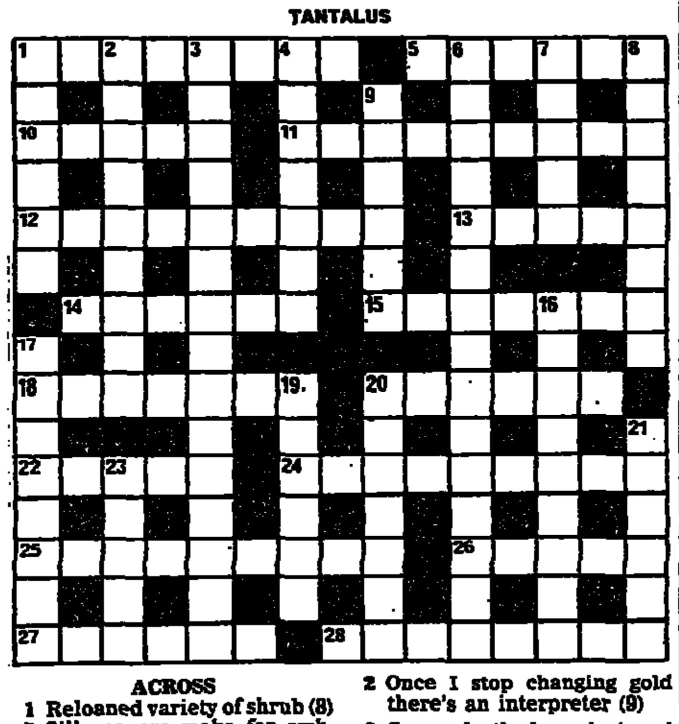
		July 87 Vol.	July 87 Last	Oct 87 Vol.	Oct 87 Last	Jan 88 Vol.	Jan 88 Last	Stock
ABN C	Fl.480	1028	2	443	21.90	33	30.30	Fl.486
ABN P	Fl.480	99	0.40A	210	16.20	23	18.50	"
AEGON C	Fl.95	978	1.80B	475	6.60	16	8.30	Fl.97.20
AEGON P	Fl.95	61	0.10	137	3.50	12	4.50	"
AHOLD C	Fl.110	55	0.10	250	5	3	6.50	Fl.108.60
AHOLD P	Fl.110	3	1.50	20	5.80	—	—	"
AHOLD C	Fl.109.10	170	0.20	11	5.70	—	—	"
AKZO C	Fl.170	2469	0.90	994	12	115	15.50	Fl.171.70
AKZO P	Fl.170	209	0.20	735	7.30	80	9.20	"
AMEV C	Fl.65	1083	0.10	161	4	11	6	Fl.64.50
AMEV P	Fl.65	156	0.50	58	3.80	8	4.20	"
AMRO C	Fl.80	2545	2.10	1411	5.80	280	7.80	Fl.82.50
AMRO P	Fl.80	69	0.10	177	2.60	12	4.20	"
ELSEVIER C	Fl.60	106	0.10	1483	3.40	98	5	Fl.56.10
ELSEVIER P	Fl.54	—	—	145	2.90	—	—	"
GIST-BROC. C	Fl.50	1946	1.10	1368	5.40	190	6.20	Fl.51.50
GIST-BROC. P	Fl.55	—	—	412	5.50	4	7.30	"
HEINEKEN C	Fl.190	628	3.50	846	12.50	117	15	Fl.194.30
HEINEKEN P	Fl.190	138	0.10	239	5.80	16	7.50	"
HOOGOVENS C	Fl.45	401	2.30B	306	5.70	110	7	Fl.47.70
HOOGOVENS P	Fl.45	28	0.10	166	2.70	31	3.10	"
KLM C	Fl.55	420	0.10	768	2.70	100	3.90	Fl.53.90
KLM P	Fl.50	—	—	140	1.80	10	2.30B	"
NEDLLOYD C	Fl.160	—	—	119	5.80	12	8	Fl.150
NEDLLOYD P	Fl.150	83	1.10	228	9	—	—	"
NAT.NED. C	Fl.75	1631	0.10	450	3.80	132	5.50	Fl.74.20
NAT.NED. P	Fl.75	231	1.10	134	3.90	12	4.70	"
PHILIPS C	Fl.55	7386	1.30B	1956	4.80	641	6.10	Fl.56.20
PHILIPS P	Fl.55	680	0.10	435	2.60	145	3.80	"
ROYAL DUTCH C	Fl.300	—	—	1092	7.80	236	11.50	Fl.290.90
ROYAL DUTCH P	Fl.280	49	0.10	303	5.90	66	8.20	"
ROBECO C	Fl.110	—	—	32	2.40	4	4.50	Fl.108.50
ROBECO P	Fl.110	20	1.50	4	3.50	—	—	"
UNILEVER C	Fl.140	3053	3.20	1080	8.90	241	11.70B	Fl.143
UNILEVER P	Fl.140	50	0.10	371	3.60	27	5.10	"

TOTAL VOLUME IN CONTRACTS: 106,669

A=Ask B=Bid C=Call P=Put

FT CROSSWORD PUZZLE No. 6,382

TANTALUS



ACROSS

1 Reloaned variety of shrub (8)
5 Silly capers make for awkward predicament (6)
10 Short senior policeman is outstanding (5)
11 Take the leaves from 1 Across for example (9)
12 Underworld demand a price to fire a gun (9)
13 Lariat seen in an area taken over by wild horses (5)
14 Attitude adopted by boy going to church (6)
15 Lad with poet surprisingly find larva of frogs (7)
18 Drink with kind of specialist—that's an evil omen! (7)
20 Devout saint and the Italian look at part of flower (6)
22 Dance with odd scholar (5)
24 Sent to listener (9)
25 Russian liberal seen for only one month of the year? (9)
26 Gets closer to partners entertaining auditor (5)
27 Way beams show up lost animals (6)
28 Members of managing board see corrosion in river (8)

DOWN

1 Edison upset with part of cricket pitch (2, 4)
2 Once I stop changing gold there's an interpreter (9)
3 Go nearby the barn designed by Jane Austen (10, 5)
4 Approve sanction (7)
6 Type of beetle leaps in Central America (8, 7)
7 A graduate and accountant grow Manila hemp (5)
8 Cheered up being made a peer? (8)
9 The result is endless belongings! (6)
16 Adjust oneself to Goddess supporting the East (9)
17 Odds on pointed weapons getting the birds! (8)
19 Slight quarrel at home having light meal (6)
20 Stapler used on adhesive tape? (7)
21 Hundred points America employs for official count (6)
23 French word-alternative to a car (5)

The solution to last Saturday's prize puzzle will be published with names of winner next Saturday

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred.	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co.	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambro Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst.	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co.	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§110	F.P.	14/8	157	111	Babygro 10p	157	+1	R2.4	3.2	2.1	18.8
155	F.P.	7/8	193	158	Britannia Group (5p)	193	......	R3.85	3.0	2.7	16.8
250	F.P.	31/7	372	250	Caradon 5p	366	......	L6.0	3.0	2.2	18.9
§120	F.P.	31/7	195	150	‡Colorvision 5p	183	−3	R2.2	2.7	1.6	30.5
§100	F.P.	—	121	116	‡Economic Forestry	121	......	R3.0	2.5	3.4	16.1
§95	F.P.	—	168	113	Elys 5p	168	......	L2.1	3.20	1.7	24.9
§178	F.P.	17/8	251	223	Glamar Group 10p	251	+8	u6.5	1.7	3.5	22.1
¶¶	F.P.	10/8	285	278	Grahams Rin'l Inv. Tst 5p	280	......	—	—	—	—
§135	F.P.	13/8	225	184	Harland Simon (10p)	225	+5	L1.9	4.1	1.1	29.1
§150	F.P.	31/7	190	150	‡Hey and Croft 10p	180	......	R3.85	3.4	2.9	13.8
§105	F.P.	31/7	126	120	ITL Inf. Tech.10p	125	......	R2.0	3.3	2.2	19.1
105	F.P.	5/8	215	105	‡Knobs & Knockers 10p	160	−13	L1.17	4.60	1.0	29.8
§165	F.P.	14/8	231	165	Lancaster	231	......	L2.75	3.5	1.6	23.8
§175	F.P.	22/7	210	190	‡Learm'th & Burch 10p	206	......	Lh1.3	5.8	0.8	30.4
§295	F.P.	—	346	338	Monarch Res. 10p	346	+5	—	—	—	—
§130	F.P.	15/7	216	163	Neotronics 5p	216	+1	R1.8	4.2	1.1	28.5
§110	F.P.	4/8	220	185	‡Parkway 5p	220	......	R1.5	4.2	0.9	34.7
§200	F.P.	—	208	201	Primadona	208	......	u2.25	5.1	1.5	18.0
§165	F.P.	31/7	265	183	‡Ross C'sum. Elec. 10p	245	......	L3.5	2.6	1.9	26.5
§35	F.P.	—	47	35½	‡SEP Int'l. Hldgs.5p	45	......	—	—	—	21.0
§63	F.P.	31/7	89	76	‡Shelton (Martin) 10p	87	−1	u1.75	2.3	2.7	21.7
§20	F.P.	17/7	58	31	‡Stanco Exhibition 5p	58	+1	0.29	4.0	0.7	49.2
145	F.P.	17/7	195	147	Tie Rack 5p	150	......	R1.1	4.2	1.0	32.6
—	F.P.	—	177	170	USDC Inv. Trust £1	173	......	H1.3	—	1.0	—
§130	F.P.	—	193	175	Warner Howard 5p	192	......	R2.66	2.70	1.9	25.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
‖	F.P.	24/7	114p	105p	Anglo Utd. Cnv. Red. Prf.	114p	+3
100	F.P.	—	127p	109p	Asda Prop. 5¼% Cnv. Cum. Red Prf. 2012	126p	−1
‖	F.P.	24/7	143p	127p	Dencora 6¼% Cum. Cnv. Red. Pf.	143p	......
‖	F.P.	7/8	126p	104p	Elliott (B) 7% Cnv.Cum.Red Prf.	126p	......
§100	£10	10/9	9	7	Essex Water 9⅞% Red. Deb. '97-99	9	......
§	£50	11/9	50¼	47⅞	Govett Strategic Inv Tst 9⅞% Deb 2017	49⅞	−⅛
¶¶	F.P.	10/8	37p	37p	Grahams Rintoul I.T. Pkd. 20p	37p	......
§98.471	£30¼	—	30¾	30⅛	Lynton Prop & Rev 10¼% 1st Mtg Deb 2017	30¾	+⅛
‖	Nil	—	16pm	15pm	Magnet&S'thens5.625%CnvCumRedPrf2012	16pm	+½
§100	£10	10/9	7½	7	Mid Kent Water 9⅞% Red. Deb. '97-99	7½	+½
—	F.P.	—	100⅛	99⅞	Nationwide 8⅞ pc Bds 20/6/88	100	......
—	F.P.	—	99⅞	99⅞	Do. 9⅛% Bds. 11/7/88	99⅞	......
—	£25	11/11	25½	20¼	North Housing Assoc. 8¾% Gtd.Ln.2037	20¼	−¼
—	F.P.	—	270p	258p	Do. Zero Corp. Ln. 2027	262p	−3
§95.221	£25	2/10	26	21¼	Peachey Property 9½% 1st Mt.Deb.2015	22¼	......
¶¶	F.P.	—	145p	115p	Smith New Court Cnv Cum Red Prf 50p.	145p	......
¶101.75	£10	—	10½	10	Sunderland & S Sh Wtr 7¼% Red Prf '97-99	10½	+½
—	F.P.	—	122p	110p	Unigroup 7½% Cum. Cnv. Red Prf.	122p	......
—	£10	—	12¼	11	Wrexham&E.Den.Wtr7¼%Red.Prf.96/98	12½	+1½

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
375	Nil	21/7	115pm	78pm	‡Anglia Secure Homes	113pm	......
425	Nil	26/8	43pm	17pm	Argyll Group	34pm	−6
135	Nil	25/8	12pm	3pm	Australia Inv. Tst. 50p.	3pm	......
265	Nil	21/8	59pm	41pm	BPCC	54pm	−1
195	Nil	14/8	53pm	35pm	Century 10p	53pm	......
35	Nil	14/8	49pm	19pm	Dares Estates 5p	49pm	......
20	Nil	18/8	18½pm	12¼pm	Eagle Trust 2½p	18½pm	+¼
5	Nil	—	27pm	23pm	‡Entertainment Prod 5p.	25pm	......
320	Nil	—	45pm	35pm	Frogmore Estates 50p.	40pm	+5
¶¶	Nil	10/8	32pm	28pm	Grahams Rintoul Inv. Tst. Units	28pm	−4
33	Nil	24/8	40pm	28pm	Helene of London 10p.	40pm	+2
120	Nil	—	35pm	30pm	‡Hughes Food 5p	35pm	......
65	Nil	24/7	35pm	16pm	Juliana's Hldgs. 2p	34pm	+1
140	Nil	—	42pm	23pm	‡Laidlaw Thomson	42pm	+4
385	Nil	14/8	138pm	81pm	Mercury Intl.	129pm	−5
—	Nil	7/8	228pm	130pm	Merlin Intl. Props. Parcels	217pm	......
75	Nil	14/8	34pm	10pm	Parambe 10p	34pm	+6
95	Nil	21/8	10pm	3pm	Plantation Trust	9pm	......
310	Nil	21/8	62pm	13pm	Ratners 10p	49pm	......
400	Nil	10/8	225pm	165pm	Tranwood Units†	209pm	......
45	Nil	24/8	29pm	19pm	Utd.Guarantee 5p	19pm	......
875	Nil	—	40pm	20pm	WPP Group 10p	20pm	−15
300	Nil	13/8	150pm	110pm	Western Motor	110pm	−5
—	Nil	7/8	81pm	38pm	Westwood Dawes 12½p	81pm	......
190	Nil	26/8	118pm	41pm	Whittington	110pm	−8

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. § Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ‡ Placing and offer for sale price. * Third Market † 10 Tranwood Rights & 3 Wrrts. to sub for 1 new Tranwood @ 40.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2860

American Growth	112.9	119.4	+0.7	0.72
(Accum Units)	118.3	125.1	+0.7	0.72
British Blue Chip Fund	56.0	58.1	-0.7	2.16
(Accum Units)	58.0	58.1	-0.7	2.16
American Sm Cos Fd	53.1	56.1	+0.6	0.45
(Accum Units)	53.1	56.1	+0.6	0.45
American Income	51.9	54.9	+0.2	3.46
(Accum Units)	56.7	59.9	+0.2	3.46
European Growth	147.5	156.0	+0.2	1.30
(Accum Units)	152.7	161.5	+0.3	1.30
European Income	81.7	86.4xd	+0.4	4.07
(Accum Units)	85.7	90.6xd	+0.4	4.07
General	402.6	426.0	-1.7	2.50
(Accum Units)	668.8	707.7	-2.8	2.50
Gilt	89.7	90.1	+0.2	7.00
(Accum Units)	106.6	107.1	+0.1	7.00
Global Fund	51.0	53.9	-0.1	0.48
(Accum Units)	51.0	53.9	-0.1	0.48
High Interest Fund	48.0	50.7xd	+0.1	9.03
(Accum Units)	48.3	51.1xd	+0.1	9.03
High Income Fund	55.8	59.0xd	-0.1	4.57
(Accum Units)	56.7	59.9xd	-0.1	4.57
Income	131.9	139.5xd	-0.4	2.99
(Accum Units)	151.2	159.9xd	-0.4	2.99
International	293.9	311.0xd	-0.3	1.17
(Accum Units)	367.8	389.2xd	-0.3	1.17
Japan	195.0	206.3	-4.1	0.53
(Accum Units)	200.1	211.7	-4.2	0.53
Pacific Fd	57.4	60.7	-10.8	0.10
(Accum Units)	57.4	60.7	-10.8	0.10
Recovery	333.4	352.7	-0.2	1.57
(Accum Units)	362.5	383.5	-0.3	1.57
UK Smaller Co's Fd	56.4	59.6	+0.1	1.72
(Accum Units)	56.4	59.6	+0.1	1.72
Exempt May 27	371.9	381.4	+0.0	2.18
(Accum Units)	582.6	597.5	+0.0	2.18

Merlin Fund Mngmnt Ltd
33 King William St, London EC4R 9AS 01-638 5678

Merlin July 7	630.0	638.0		1.09

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	67.0	71.2	-0.4	4.21
Accum Units	67.0	71.2	-0.4	4.21
UK Growth Fund Acc	66.2	70.4	-0.4	1.42

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn UnitLine 0800 010345

Holborn Comm Tst	82.9	87.7		0.35
Holborn Equity Income	76.7	81.1	+0.1	3.17
Holborn Equity Tst	628.1	664.6	-3.5	2.09
Holborn European Tst	117.4	124.2xd	-0.4	0.67
Holborn Gilt Tst	217.4	226.4	+0.8	2.10
Holborn High Inc Tst	91.8	98.1xd	+0.9	4.40
Holborn Intl Grth Tst	119.9	126.8xd	+0.3	.49
Holborn Japanese Tst	124.0	132.5	-1.1	0.04
Holborn N. Amer. Tst	95.5	101.0	+1.0	0.48
Holborn Sm Cos Tst	83.8	88.4	-0.1	1.31
Holborn Spec Sits Tst	109.7	116.0xd	-1.1	1.26
Holborn UK Growth Tst	123.8	131.0	-1.2	1.43

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	705.8	746.9	+34.0	1.33
Quadrant Income	350.5	371.0xd	+11.4	3.88
Quadrant Intl. Fund	451.2	477.5	+3.9	1.04
Quadrant Spec. Sits	497.3	526.3	+36.0	1.25

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	258.0	274.4	-1.2	2.99
Reliance Unit Tst (Inc)	181.2	192.7	-0.3	1.48
Reliance Ut Tst (Acc)	243.9	259.5	-0.4	1.48

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	50.3	52.9	+0.3	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2900

NC America (Inc)	333.5	345.7xd	+5.7	0.76
NC America (Acc)	364.1	387.3	+4.0	0.76
NC Inc Fd	134.8	143.3	-0.9	2.43
NC Japan Fd	190.2	202.3	+1.0	—
NC Major UK Cos Fd	75.6	80.6xd	-0.6	1.50
NC Smlr Australasian	89.4	95.1	+0.5	0.46
NC Smlr Canadian Co Fd	49.0	52.1	+0.1	0.98
NC Smaller Cos	254.3	270.5	+0.4	0.85
NC Smaller European	192.9	205.2	-0.9	0.46

Standard Life Trust Mgmt. Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)

Sun Alliance Fund Management Ltd

Sun Life of Canada Unit Mgrs Ltd

Abbey Life Assurance—Contd.

Cannon Assurance Ltd (z)

Gresham Unit Assurance Ltd

Irish Life Assurance—Cont.

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	461.1	485.4		—
Property	280.4	295.2		—
Equity	601.4	633.0		—
Gilt Edged	369.6	389.0		—
Deposit	204.5	215.3		—
Investment	256.8	269.7		—
International	423.2	445.5		—
Pension Fund Prices				
Managed Init.		335.2	—	—
Do. Accum.		410.3	—	—
Property Init.		243.0	—	—
Do. Accum.		297.3	—	—
Equity Init.		453.1	—	—
Do. Accum.		553.6	—	—
Gilt-Edged Init.		236.4	—	—
Do. Accum.		289.2	—	—
Guaranteed Init.		157.9	—	—
Do. Accum.		193.3	—	—
International Init.		502.3	—	—
Do. Accum.		614.2	—	—
Index Lk. Gilt Init.		137.9	—	—
Do. Accum.		168.6	—	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	301.7	+0.0	—
Property Pens.	398.4	+0.1	—
Equity	[illegible]	+1.3	—
Equity Pens.	975.0	+7.9	—
Money Market	317.8	+1.3	—
Money Mkt. Pens.	569.9	+2.4	—
Deposit	238.7	+0.1	—
Deposit Pens.	376.7	+0.1	—
Managed	308.4	+1.6	—
Managed Pens.	600.6	+4.2	—
Intl Equity	352.4	+1.4	—
Do. Pens.	570.9	+3.0	—
Intl. Managed	326.8	+1.3	—
Do. Pens.	487.2	+2.6	—
North American	132.3	+0.6	—
Do. Pens.	151.8	+1.0	—
Far East	287.7	+1.0	—
Do. Pens.	419.4	+1.4	—
Intnl. Currency	174.3	-0.6	—
Do. Pens.	227.7	-1.1	—
Index Linked	134.3	+0.1	—
S & C Managed Fd	147.3	+0.4	—
S & C Pens Mngd Fd	120.5	+0.4	—

National Provident Inst.—Contd.

Far East Initial	470.7	495.5	-3.8	—
Far East	562.6	592.3	-4.9	—
Prop. Initial	141.8	149.3	-0.4	—
Prop.	169.6	178.6	-0.4	—
Fixed Int. Initial	192.0	202.2	+0.7	—
Fixed Int.	229.6	241.7	+0.7	—
Indexed Gilt Initial	104.9	110.5	+0.1	—
Indexed Gilt	124.2	130.8	+0.1	—
Deposit Initial	134.5	141.6	...	—
Deposit	162.5	171.1	+0.1	—
NPI Pensions Management Ltd				
Managed Fund	952.2	969.2	...	—

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	58.7	61.8	-0.1	—
Stock Market Mngd Fund	60.4	63.6	-0.2	—
Equity Fund	67.5	71.1	-0.5	—
International Fund	54.1	57.0	+0.3	—
European Fund	57.6	60.7	+0.1	—
North American Fund	50.8	53.5	+0.4	—
Pacific Fund	61.2	64.5	+0.4	—
Property Fund	50.7	53.4	...	—
Fixed Interest Funds	51.2	53.9	+0.3	—
Index linked Sec Fund	46.9	49.3	+0.1	—
Deposit Fund	50.8	53.5	...	—
NUAM Retirement Plans				
Mngd Fund	63.7	67.1	+0.2	—
UK Ordinary Share	79.2	83.4	+0.4	—
International Fund	55.4	58.4	+0.1	—
Property Fund	51.7	54.5	...	—
Fixed Interest Fund	52.7	55.5	+0.2	—
Index Linked Sec Fund	46.5	49.0	+0.1	—
Deposit Fund	52.7	55.5	...	—
NUAM (NF)				
Managed Fund	804.9	847.3	-1.9	—
Equity Fund	1806.3	1901.4	-14.3	—
Property Fund	315.5	332.2	+0.2	—
Fixed Interest Fund	376.6	396.5	+2.0	—
Deposit Fund	207.3	218.3	...	—
International Fund	140.4	147.8	+0.7	—
Index Linked Sec Fund	46.5	49.0	+0.1	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionvester* & Unit-Linked Plan*

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
3May	3Nov	Treas. 12pc 1987	100[illegible]	27.3	11.90	8.74
26 Jul	26 Jan	Treas 7¼pc 1985-88‡‡	99[illegible]	19.6	7.77	8.20
10Nov	10May	Exch 10½pc '88	101[illegible]	3.4	10.38	8.95
14Dec	14Jan	Treas 9¾pc Cv '88	100[illegible]	8.5	9.68	8.89
1Jan	1Jul	Transport 3pc '78-88	97[illegible]	26.5	3.09	6.04
25 Apr	25 Oct	Treas. 9½pc '88	100[illegible]	19.3	9.45	8.97
22 Aug	22 Feb	Treas 11½pc 1989	103[illegible]	16.1	11.09	8.92
18 Oct	18 Apr	Treas 9½pc Cnv 1989	100[illegible]	12.3	9.43	8.95
15Nov	15May	Treas 3pc 1989	94[illegible]	8.4	3.17	6.12
14Dec	14Jun	Treas 10½pc 1989	102[illegible]	8.5	10.24	8.96
1Feb	1Aug	Exch 10pc 1989	101[illegible]	25.6	9.82	8.98
29 Mar	29 Sep	Exch 11pc 1989	103[illegible]	20.2	10.60	9.00
15 Apr	15 Oct	Treas 5pc 1986-89	95[illegible]	9.3	5.24	7.22
15 May	15 Nov	Exch 10¼pcCv '89	105[illegible]	8.4	9.72	7.63
15 Jul	15 Jan	Treas 13pc 1990‡‡	108[illegible]	8.6	11.94	8.93
12 Aug	12 Feb	Exch 11pc 1990‡‡	104[illegible]	16.7	10.53	8.98
22 Sep	22 Mar	Exch. 12½pc 1990	108[illegible]	13.2	11.57	9.01
8 Nov	8 May	Treas. 3pc 1990	91[illegible]	1.4	3.27	6.27
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	98[illegible]	11.5	8.39	8.63
25 Apr	25 Oct	Treas. 10pcCv 1990	102[illegible]	19.3	9.74	9.01
22 May	22 Nov	Exch 2½pc 1990	89[illegible]	15.4	2.79	5.98
10 July	10 Jan	Treas 11¾pc 1991	108[illegible]	3.6	10.88	8.99
5Oct	5Apr	Funding 5¾pc '87-91‡‡	93[illegible]	2.3	6.13	7.71
13 Nov	13 May	Treas. 3pc 1991	88[illegible]	6.4	3.37	6.28
12Jan	12July	Treas 10pc Cv '91‡‡	106[illegible]	5.6	9.39	8.04
25Apr	25Oct	Exch. 11pc 1991	106[illegible]	19.3	10.29	9.00
10Dec	10June	Treas 8pc '91 (£20pd)●	£97¼	—	8.13	8.78
22Jly	22Jan	Treas 12¾pc 1992‡‡	113[illegible]	15.6	11.22	8.98
21Aug	21Feb	Treas 10pc 1992	103[illegible]	15.1	9.63	8.94
13Oct	13Apr	Treas. 8pc 1992‡‡	96[illegible]	—	8.15	8.47
7 Nov	7 May	Treas 10½pc Cv 1992‡‡	105[illegible]	31.3	9.92	8.95
—		Treas. 3pc 1992	85[illegible]	—	3.50	6.46

Five to Fifteen Years

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jly	Sara Lee $1	27½xd	24.12	$1.00	—	2.2
Mr Je Se De	Saul (B. F.) $1	10¾xd	26.6	20c	—	1.2
Fb My Ag No	Southwestern Bell $1	22¼xd	7.7	h$2.52	—	6.4
—	Staley Continental	17¼	—	80c	—	2.8
Mr Jn Se De	Sun Co. Inc. $1	41¼xd	5.11	$3.00	—	4.4
Ma Ju Se Dec	TRW Inc. $1¼	33⅞	10.2	h$1.60	—	2.9
Mr Jn Sp Dc	Tenneco $5	32¼	12.5	$3.04	—	5.8
June Dec	Do. 10pcLn.Stk. 91-5	187½xd	24.11	10%	—	5.5
Mr Je Se De	Texaco $6.25	28¼xd	31.7	$3.00	—	6.5
Mr Ju Se De	Time Inc. $1	63¼	22.8	$1.00	—	1.0
Ja Ap Jy Oc	Tracor $0.33	12¼	16.9	40c	—	2.0
Ja Ap Jn Oc	Transamerica $1	25¼	30.6	$1.76	—	4.2
Fe My Au No	Transworld Corp $5	11¼	11.11	20c	—	1.1
—	TRINOVA Corp.	45¾	12.04	h$1.00	—	1.4
Mr Je Se De	♥USX $1	23¼	30.10	$1.20	—	3.2
Ag Nv Fb Jn	Union Carbide $1	17⅞	5.5	$1.50	—	5.1
Mr Jn Sp Dc	Utd. Technologies	32⅞	19.5	$1.40	—	2.6
Fb My Ag No	US West‖	31	13.4	$3.28	—	6.5
—	Waste Management $1	25¼	—	—	—	—
—	Whirlpool $1.0	£21¼	—	—	—	—
Mr Je Se De	♥Woolworth $3½	34¼	19.11	$1.32	—	2.4

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
—	♥Abbot Energy Corp.	19p	—	—	—	—
—	♥Amer. Barrick Res.	12⅞	—	—	—	—
—	Armeno	74p	—	—	—	—
Fb My Ag Nv	Bk. Montreal ‖	16¼	24.11	$2.00	—	5.7
Ja Ap Je Oc	Bk. Nova Scot.‖	859p	30.6	72c	—	3.9
Ap Jy Oc Ja	BCE ‖	19½	10.9	$2.40	—	5.7
May Nov.	♥Bow Valley‖	10¼	15.12	40c	—	1.8
Ja Ap Jy Oc	♥Brascan‖	18⅞	28.10	88c	—	2.1
—	♥Breakwater Res.	450p	—	—	—	—
Fe My Au No	Can. Imp. Bk. $2	10¼xd	29.6	$1.08	—	4.6

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

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TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

MINES

MINES—Continued

THIRD MARKET

Stock	Price					
Amercoeur Energy 10p	79	—	—	—	—	—
Ardmore Pet. 'A'	40	—	—	—	—	—
Catalyst Comms. 5p	92	—	—	—	—	38.2
Chelsea Artisans 5p	168	—	—	—	—	22.5
Comac Group 5p	170	—	—	—	—	—
Corton Beach 10p	136	1.6	0.4	♦	0.4	♦
Crown Eyeglass 5p	188	—	—	—	—	—
Edenspring Investment	278	—	—	—	—	—
Eglinton Oil Ir.5p	36	—	—	—	—	—
Do. Warrants	22	—	—	—	—	—
Far East Res. 10p	169		—	—	—	—
Publishing Hldgs.5p	82	—	—	—	—	47.5
Theme Holdings	83	27.4	1.0	♦	1.7	♦
Unit Group	140#	—	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	92	+2	Fin. 13% 97/02	£111¼	.....
Craig & Rose £1	£20¼	−¼	Arnotts	388	.....
Finlay Pkg. 5p	130	+4	CPI Hldgs	58	.....
Holt (Jos) 25p	1000	+10	Carrol Inds.	176	−2
IoM Stm. £1	146	+3	Dublin Gas	18	.....
			Hall (R. & H.)	125	.....
IRISH			Heiton Hldgs.	41	+1
Fund 11¼% 1988	£100¾	.....	Irish Ropes	190	.....
Nat. 9¾% 84/89	£98½	.....	Unidare	440	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	35
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds.	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

CONSTRUCTION CONTRACTS

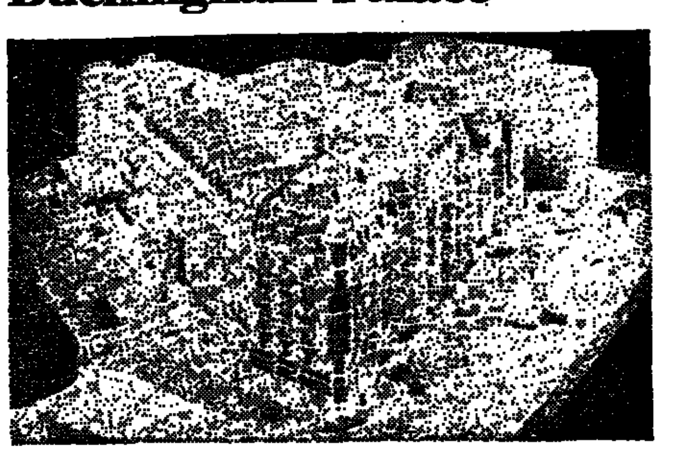
First stage in River Dee crossing plan

The first stage of the proposed second crossing of the River Dee has been awarded to NORWEST HOLST in a contract worth £6.6m. The contract—a 4.9 km length of single-carriageway road—extends the Shotwick Road to provide an improvement to the infrastructure of the Deeside Industrial Estate. Features of the new road include two bridges and extensive embankments and earthworks. To cross the Wrexham-Bidson railway line, embankments held by reinforced earth retaining walls are needed to carry the road to the 21 metres single span bridge. A twin-span bridge—with spans of 30 metres and 23.5 metres—takes the road over an estate access road and railway spur. Both bridges feature in situ concrete abutments founded on steel "H" piles, with pre-cast, pre-tensioned concrete beams and in situ concrete deck.

★

BOVIS CONSTRUCTION has been awarded a £1.1m management contract by Gillow to refurbish the Harrison Gibson department store in High Road, Ilford. The project involves refurbishment of the ground and first floors of the store, originally built in the 1960s; demolition and stripping out of the shop fronts to be replaced with a glass frontage and installation of high speed lifts and escalators. The four-month contract is due for completion at the end of October.

Office block overlooks Buckingham Palace



The Rolfe Group Practice are architects and planners for a £29m design and build contract with Lovell Farrow Construction on a 2½-acre site adjacent to the Royal Mews, Buckingham Palace. The developer is Chesterfield Properties. The plan includes 180,000 sq ft of office accommodation with car parking. The redevelopment retains a Grade 2 listed facade overlooking Buckingham Palace on the site bounded by Buckingham Gate, Buckingham Palace Road, Palace Street, and Stafford Place. Behind that facade new accommodation is being created including an atrium with landscaping, circulation spaces, and wall-climber lifts to serve all office levels. Refurbishment of the Victorian James Murray building at 2 Buckingham Gate, which faces the Royal Mews, will involve a new structural steel frame to allow for open plan offices and the addition of a floor at roof level. Many of the interiors are listed for the quality and historical interest of the plasterwork ceilings and these will be retained as will some fine examples of Victorian joinery. While keeping the characteristcs of the original design, up-to-date building services with full air-conditioning will be installed. Other elements in the plan are offices behind an Edwardian mansion facade in Stafford Place (within the Westminster conservation area), and a new nine-storey building in Palace Street—clad in Portland stone to match existing facades. *The contract is for completion in December 1988.*

New escalator at Manor House

W. & C. PANTIN, Epping, has supplied London Underground with its first escalator built by a British company for 50 years.

The escalator, which has been in development for three years, has been supplied to Manor House Underground station on the Piccadilly Line.

Pantin, a subsidiary of APV Baker, co-operated with London Underground on this project, and the escalator has been designed and built to meet London Underground's rigorous operating and safety requirements. The contract has a value approaching £1m and the escalator was delivered on time. It has an estimated useful life of about 40 years.

London Underground has a continuous programme of escalator renewal and Pantin is currently negotiating for a number of additional renewal contracts.

New Sainsbury supermarket at Basingstoke

A shopping development for Sainsbury on the south side of Basingstoke at Brighton Hill has been awarded to WARINGS, Portsmouth. The scheme comprises the construction and fitting out of a supermarket, coffee shop and four retail units. Surface car parking for 600 cars, a petrol filling station and associated infrastructure works are included in the £7.1m contract. The completed supermarket will have a sales area of 3,230 sq metres, with a total floor area of 7,418 sq metres, including coffee shop and retail units. The project is due for completion in early autumn 1988.

Mansell's first airport work

London building contractor MANSELL has won a £1.5m contract to carry out maintenance and building work at London's Gatwick Airport. Work involves maintaining the various buildings, including numerous retail and catering outlets, at the main south terminal, through which 16m passengers pass a year. Included will be maintenance work "air-side," such as aircraft passenger piers, and other building work.

"Although this is our first venture on to the airports scene, we feel this is a potential growth area for the company," said Mr Peter Hawksworth, Mansell's marketing controller. "We will also be looking at airlines—there are more than 100 operating scheduel and charter services from Gatwick—together with 100 ancillary companies established there."

★

CEMENTATION CONSTRUCTION has been awarded a substantial sub-contract worth nearly £2m in London's Docklands from Laing Management Contracting working for Mail Newspapers. Cementation has commenced work on the concrete floors and superstructure of the new Daily Mail printing works in Surrey Docks. The reinforced concrete floors will have two 500 cu metres concrete foundations for the large printing presses. Work will be directed from Cementation Construction's south-east area office at Tonbridge and will take 23 weeks to complete.

London work load for Lelliott Construction

Maintaining the buoyancy experienced throughout the year, the JOHN LELLIOTT CONSTRUCTION GROUP has been awarded contracts worth £50m.

John Lelliott Management Fee has been awarded contracts, value £17.1m, including a new office building for Balfour Warwick Developments in Artillery Row (£3m), creation of Options, an entertainment complex for Granada Theatres at Kingston-upon-Thames (£2.2m), the redevelopment of 27 Queen Anne's Gate for the Soldiers, Sailors and Airmens Families Association (£2m), fitting out a further phase of Arundel Great Court for accountants Arthur Anderson (£1.7m), further work at Seal & Ebgate House for BZW (£700,000). Work will start shortly on fitting out the upper floors of Michelin House for Octopus Publishing (£2.7m) and the refurbishment of a terrace of houses, 29-36 Sackville Street, W1, for Sheraton Securities (£4.8m).

John Lelliott (DMC), has secured design and build contracts totalling £9.1m: for an hotel at Brands Hatch (£6m); creation of a data centre at Boardman House, Stratford, for Manufacturers Hanover (£2m); the conversion of Heron House, Marylebone Road, into an extension of the Princess Grace Hospital for AMI (£1.1m).

★

John Lelliott (Ilford) is responsible for £11.8m, including the creation of a stud farm at Thetford, for the Thetford Stud (£6m), fitting out contracts totalling £3.65m for Boots at Harlow; TSB Putney High Street; Allied Irish Bank, Uxbridge; Leatherland, Tottenham Court Road; Texas Homecare, Chelmsford and the Co-op in Enfield. Further contracts include a refurbishment for BP at Harlow (£750,000); 36 Fenchurch Street for Local London (City) (£890,000); and Key Catering Disposables at Becton (£510,000).

John Lelliott (Contracts) has been awarded projects worth £12.7m, most notably the refurbishment and fitting out of the Littlewoods Store in Oxford Street (£7.7m). The Crispin public house for Courage in Finsbury Avenue is being refurbished at a cost of £460,000. The contract for external repairs and decorations at the Queensmead Estate in St John's Wood for Norwich Union is worth £1.4m; fitting out for the Union Bank of Switzerland in the Stock Exchange, £100,000; and a refurbishment on Academy House, 26/28 Sackville Street for Stockley, £450,000. The contract for the redevelopment of 55 Conduit Street for St James's Development Trust is worth £700,000; and the refurbishment of 243/247 Regent Street for Crown Estates Commissioners, £900,000. The contract for further work on the ninth floor of Chelsea Cloisters, Sloane Avenue, is worth £1m.

Notice of early redemption

Rowntree Mackintosh International Finance B.V.

£18,000,000
10¼ per cent. Sterling Foreign Currency Bonds 1988

NOTICE IS HEREBY GIVEN pursuant to Condition 5(C) of the Terms and Conditions of the Trust Deed dated 15th February, 1978 constituting the above Bonds that Rowntree Mackintosh International Finance B.V. will redeem at their principal amount all Bonds remaining outstanding, in an aggregate nominal amount of £8,400,000, on 3rd September, 1987 together with interest accrued to that date against surrender of such Bonds together with all unmatured Coupons appertaining thereto at the offices specified below. Interest will cease to accrue on all such Bonds from 3rd September, 1987. Bonds should be presented for payment together with all unmatured Coupons, failing which the amount in pounds sterling of any missing unmatured Coupons will be deducted from the sum due for payment. Payment will in all cases be subject, *inter alia*, to any fiscal or other laws and regulations applicable thereto.

Payment of interest will be made in U.S. dollars. Payment of principal will be made in pounds sterling or, at the option of the Bondholder, in U.S. dollars. Any Bondholder who elects to receive payment of principal in U.S. dollars must give an irrevocable written notice of such election to any of the paying agents listed below not later than 10 business days prior to 3rd September, 1987. Such notice must be given by completing the form available at the specified office of any of the paying agents listed below and the Bonds in respect of which such election is made must be lodged, together with all unmatured Coupons, with the relevant paying agent at the time that such notice is given and will be retained by the paying agent until the due date for payment.

Bonds together with unmatured Coupons should be lodged for redemption on or after 3rd September, 1987 at the offices of Schroder Investment Management Limited, Coupon Department, 36 Old Jewry, London EC2R 8BS between the hours of 10 and 2 o'clock or IBJ Schroder Bank & Trust Company, 1 State Street, New York, N.Y. 10015 or Société Générale de Banque S.A., Montagne du Parc 3, 1000 Brussels or Banque Générale du Luxembourg S.A., 14 Rue Aldringen, Luxembourg or Algemene Bank Nederland N.V., Vijzelstraat 32, Amsterdam.

Notice is hereby given of the serial numbers of Bonds previously drawn for redemption and not yet presented for payment. Interest ceased to accrue on these Bonds from the due date for redemption thereof.

Bonds drawn 15th February, 1983

1775

1 Bond @ £1,000=£1,000

Bonds drawn 15th February, 1985

343	622	1236	1781	9369
10666	10833	11435	11911	12281

10 Bonds @ £1,000=£10,000

Bonds drawn 15th February, 1986

117	874	1362	1430	1813
2035	2387	2585	2613	3181
3444	3628	4183	9309	9367
9793	9863	10518	10790	10883
10993	11071	11343	11416	11837
11919	12169	12242	12509	12635
12662	17635			

32 Bonds @ £1,000=£32,000

Bonds and Coupons will become void unless presented for payment within a period of 12 years and 6 years respectively from the date on which payment in respect thereof first became or becomes due.

LONDON: 20th July, 1987.

DIARY DATES

Parliament

TODAY

Commons: Remaining stages of the Finance Bill. Motion on Scottish rates orders.

TOMORROW,

Commons: Motion on the Channel Tunnel Bill, including Lords amendments. Motions on ministerial salaries and MPs' pay and allowances.

Lords: Western Isles Island Council (Vatersay Causeway) Order Confirmation Bill. British Shipbuilders Borrowing Powers Bill, second reading and remaining stages. Motions on building society investment orders, education regulations, the Meat and Livestock Levy Scheme, and social security orders. Unstarred question on inner urban areas, followed by an unstarred question on the way the broadcasting authorities discharged their responsibilities in the run up to the general election.

WEDNESDAY

Commons: Motion of the Pensioners' Lump Sum Payments Order and the Supplementary Benefit (Requirements and Resources) Amendment Regulations. Motion on the Hovercraft (Civil Liability) (Amendment) Order. Motion on EC documents related to research and development in telecommunications. Lords: Debate calling attention to the proposals for establishing family courts, followed by a debate on the report of the Metropolitan Police Commissioner for 1986. Infant Life (Preservation) Bill, second reading. Unstarred question on compliance by local authorities with current civil protection regulations and guidelines.

THURSDAY

Commons: Motions on Northern Ireland orders related to water fluoridation, charities, latent damage and enduring powers of attorney. Opposed private business at 7 pm. Lords: Western Isles Islands Council (Vatersay Causeway) Order Confirmation Bill, third reading. Consolidated Fund Bill, second reading and remaining stages. Finance Bill, second reading and remaining stages. Motions for approval on orders related to hovercraft, bunk bed safety regulations. Resolution on peers' secretarial allowances, and motion for approval on Ministerial and Other Salaries Order 1987. Unstarred question on self-sufficiency in food.

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Alexon, Salters Hall, Fore Street, EC, 11.00
Anglo United, Chesterfield Hotel, Malkin Street, Chesterfield, 11.00
Rowlinson Securities, London House, London Road South, Poynton, Stockport, Cheshire, 12.00
Whitbread Inv, Brewery Conference Centre, Chiswell Street, EC, 12.30

BOARD MEETINGS—
Finals:
AIM
Harris (Philip)
Sutcliffe Speakman
Interims:
Charterhall

DIVIDEND & INTEREST PAYMENTS—
Bertrams Inv Tst 1p
Borthwicks 0.5p
Brixton Estate 3.9p
Brooke Tool Engineering 0.675p
Elys (Wimbledon) 7¼ 1st Mtg Deb 1986-91 3½pc 9¼pc Un Ln 1995-99 4⅝pc
Ferguson Ind Hldgs 5.9p
G. T. Global Recovery Inv Tst 2.25p
Gaynor Group 1p
Johnson and Firth Brown 0.5p
Wells Fargo and Co 39 cts

TOMORROW

COMPANY MEETINGS—
Chapman Inds, Farwig Lane, Bromley, Kent, 12.30
Courtaulds, Marriott Hotel, Grosvenor Square, W, 10.45
Estates and Agency, Institute of Directors, 116, Pall Mall, SW, 12.00
G. T. Management, Institute of Chartered Accountants, Moorgate Place, EC, 12.30
Great Portland Estates, Cafe Royal, 68, Regent Street, W, 12.00
London Inv Tst, Ironmongers Hall, Shaftesbury Place, Barbican, EC, 12.00
M.K. Electric, Salters Hall, Fore Street, EC, 3.00
Microlease, Friary Court, 65, Crutched Friars, EC, 12.00
Reed Intnl, Institution of Electrical Engineers, Savoy Place, WC, 12.00
TR Property Inv Tst, Mermaid House, 2, Puddle Dock, EC, 12.30
Whitbread and Co, Brewery Conference Centre, Chiswell Street, EC, 12.00
Yellowhammer, Savoy Hotel, Strand, WC, 11.00
Young and Co's Brewery, Grosvenor House Hotel, Park Lane, W, 1.00

BOARD MEETINGS—
Finals:
Barbour Index
Creighton Labs
Fleming Technology Inv Tst
Helton
Interims:
Bensons Crisps
Temple Bar Inv Tst

DIVIDEND & INTERIM PAYMENTS—
Australian Agricultural Co 10 cts
Canadian Imperial Bank of Commerce Fltg Rate Debs 1994 $317.38
Co-operative Bank Sub Fltg Rate Nts 2000 £123.88
Electra Inv Tst 2.4p
Exchequer 10½pc 1995 5¼pc
Fleming Fledgling Inv Tst 6¼pc Deb 1988-93 3⅛pc
Hydro-Quebec Fltg Rate Nts Sers FY July 2002 $304.81
Irish Distillers Group 2p
Johnson Fry 2p
MEPC 3.25p
Personal Assets Trust 0.5p
Young and Co's Brewery A 4.5p
Do Non-Vtg 4.5p

WEDNESDAY JULY 22

COMPANY MEETINGS—
Airsprung Group, Airsprung Jubilee Club, Canal Road, Trowbridge, Wilts, 2.30
Beecham Group, Grosvenor House, Park Lane, W, 12.00
British Benzol, Northern Ireland Business Centre, 11, Barclay Street, W, 10.30
Dawson Intnl, Caledonian Hotel, Edinburgh, 11.45
De La Rue, Le Meridien Hotel, Piccadilly, W, 11.30
Dunhill Hldgs, Cafe Royal, 68, Regent Street, W, 12.00
Ingram (Harold), 25, Copthall Avenue, EC, 11.00
Johnson, Matthey, London Intnl Press Centre, 76, Shoe Lane, EC, 11.30
Monks Inv Tst, Provincial Insurance Co, 222 Bishopsgate, EC, 9.30
Plysu, Brewery Conference Centre, Chiswell Street, EC, 12.15
Stanley Inds, Savoy Hotel, Strand, WC, [illegible]
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

THURSDAY JULY 23

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

Panama (Republic of) Fltg Rate Ser Nts 1991 $211.17
Plysu 1.55p
Regalian Properties 1.375p
Schroder Global Tst 2.125p
State Bank of Victoria Gtd Fltg Rate Nts 1996 $301.67
Witan Inv 1.15p

FRIDAY JULY 24

COMPANY MEETINGS—
Health Care Services, Royal Society of Medicine, 1, Wimpole Street, W, 4.00
Lorin Electronics, Harwood Road, Littlehampton, Sussex, 4.00
Northern Foods, Grange Park Hotel, Willerby, 12.30
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]
Whitbread Inv 5.65p
York Mount Grp 1p
York Trust Grp 1p

SATURDAY JULY 25

DIVIDEND & INTEREST PAYMENTS—
Debenhams 7¼pc Un Ln 2002-07 3⅝pc
Do 7¼pc Un Ln 2002-07 3⅝pc
General Electric Company 33cts
Hewden-Stuart Plant 10pc Cnv Un Ln 2003-08 5pc
Readicut Intnl 1.93p
Treasury 13¼pc 2000-03 6⅝pc
Treasury 2pc IL 1990 £1.1731

SUNDAY JULY 26

DIVIDEND & INTEREST PAYMENTS—
Treasury 7¾pc Ln 1985-88 3⅞pc
Treasury 7¾pc Ln 2012-15 3⅞pc
Treasury 2½pc I-L 2016 £1.5205

Trade fairs and exhibitions: UK

Current
Gift Trade Fair (0282 867153) (until July 23) Harrogate Exhibition Centre

July 23-26
Acorn Computer User Show (01-836 2441) Barbican Centre

July 28-August 2
British Music Fair (01-385 1200) Olympia

August 2-5
BFM Furniture Show (01-724 0851) G-Mex Centre, Manchester

August 6-9
Connoisseur and Collectors' Fair of Antiques and Memorabilia (021-780 4171) NEC, Birmingham

August 23-25
International Craft and Hobby Fair (04252 72711) Wembley Conference Centre

August 30-September 1
Scottish Industry and Commerce Trade Fair (0202 767073) Scottish Exhn Centre, Glasgow

September 2-4
IMB System User Show and Conference (01-608 1161) Olympia

September 4-6
Money Show (0895 53431) Aberdeen

September 6-10
Autumn Gifts Fair (01-855 9201) Olympia

September 8-11
Offsore Europe Exhibition and Conference (01-549 5831) Aberdeen

September 8-19
Chelsea Antiques Fair (04447 2514) Old Town Hall, Chelsea

September 14-18
International Welding, Cutting and Metal Fabrication Exhibition—WELDEX (021-705 6707) NEC, Birmingham

September 20
Antiques Fair (01-883 7061) Alexandra Palace

September 23-27
Personal Computer World Show (01-486 1951) Olympia

September 26-October 1
Automotive Trade Show (01-235 7000) Earls Court

Overseas

July 22-25
British Products and Services Fair (0206 240668) Amman

July 24-27
Electronic Products Exhibition — INTERNECON (01-940 8777) Kuala Lumper

August 11-14
Brazilian Summer Fashion Collection — BRASIL FASHION FAIR (01-499 0877) Rio de Janeiro

August 21-27
International Jewellery and Watches Exhibition—JEWELFAIR (01-464 4129) Singapore

August 22-26
International Autumn Fair (Consumer Goods) (01-734 0543) Frankfurt

September 3-6
Specialised Fair for Clocks, Wathces and Jewellery — JUWELIA (01-977 4551) Vienna

September 6-9
International Exhibition of Sports Goods and Leisure Equipment (01-255 5566) Paris

September 6-12
International Autumn Fair (01-240 7013) Leipzig

September 8-13
International Computer Technology and Communication Equipment Exhibition—TELECOMP (01-486 1951) Beijing

Business and Management Conferences

July 28-30
Microwave Association: Educating the educators (01-229 8225) Royal Holloway and Bedford College, Egham

July 29
Industrial Society: Profit related pay (01-839 4300) 3 Carlton House Terrace, SW1

August 10-12
Frost and Sullivan: Managing the data centre as a business (01-730 3438) London

September 7-8
IBC: Broadcast radio into the 90s (01-236 4080) London Press Centre, EC4

September 10-11
Financial Times: World Motor (01-621 1355) Frankfurt

September 10
Tolley Publishing Co.: Your company pension scheme — time for action (01-680 5682) London Press Centre, EC4

September 15-16
Euromoney: Short term and medium term financing alternatives (01-236 3288) St Regis Sheraton, New York

September 16
IRRG: Financial Services—today and tomorrow (01-236 2175) The Brewery, EC2

September 20-22
Metal Bulletin Conferences: Turkey's industrial minerals (01-330 4311) Istanbul

September 24
Tolley Conferences: Payroll manager's review — first annual updating (01-680 5682) London Press Centre, EC4

September 29
Information for Energy Group—Energy statistics (01-636 1004) 81 New Cavendish Street, W1

September 29-30
Acquisitions Monthly/Business Research International; How to buy and sell companies (01-637 4383) Hotel Inter-Continental, W1

September 29-October 2
RMDP: EPoS with EFTPoS congress and exhibition on computers in retailing and distribution (0273 203581) Barbican Centre, EC2

October 4-9
IPM: Selecting managers—advanced interviewing and assessment skills (01-946 9100) Bristol

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published

WORLD STOCK MARKETS

AUSTRIA

1987 High	1987 Low	July 17	Price Sch%
2410	1890	Creditanstalt	2070
3210	2460	Goesser	2970
13200	10800	Interunfall	11550
14,000	7050	Jungbunzlauer	8300
2125	1740	Laenderbank	2015
725	565	Perlmooser	725
167	108	Steyr-Daimler	121
1113	690	Veitscher Mag	848

BELGIUM/LUXEMBOURG

1987 High	1987 Low	July 17	Price Frs.
3380	2900	B.B.L.	3360
16000	15300	Banque Gen. Du L.	15300
15200	14300	Bank Int. A	14300
12500	9000	Bekaert B	11550
6110	3900	Ciment CBR	5900
182	131	Cockerill	163
3830	2700	Delhaize	3750
5500	4685	EBES	5100
2700	1320	Fabrique Nat	1540
1306	926	GB Inno BM	1306
4525	3430	GBL (Brux) L	3940
6850	6080	Generale Bank	6700
7950	6000	Gevaert	7950
8020	6680	Hoboken	7700
4510	3765	Intercom	4130
4800	4040	Kredietbank	4730
12700	10,650	Pan Holdings	12700
12550	9210	Petrofina	12550
1725	1	Raffinerie Tirle	1725
8000	5000	Royale Belge	6290
4195	3115	Soc Gen Belge	4180.00
15800	10375	Sofina	14975
14125	8270	Solvay	14125
450	185	Stanwick Intl.	450
8150	6280	Tractebel	8150
11300	8900	UCB	11000
5940	5160	Wagons Lits	5700

DENMARK

1987 High	1987 Low	July 17	Price Kr %
970	720	Baltica Skand	965.00
299	251	Cop Handelsbank	267.00
410	292	D. Sukkerfab	292.00
375	309	Den Danske Bank	346
228	160	East Asiatic	187
980	820	Forenede Brygg	820.00
357	241	GNT Holding	241.00
845	695	I.S.S.B. Systems	760.00
575	455	Jyske Bank	515
294	238	Novo Inds.*	277.00
295	243	Privatbanken	267.00
954	675	Sophus Berendsen	905.00
242	149	Superfos	224.00

FINLAND

1987 High	1987 Low	July 17	Price Mks
249.5	148.5	Amer	249.5
55.8	43.75	KOP	55.8
248.5	184	Kone	226.5
118	85.5	Finnish Sugar	103.5
203.5	132.5	Nokia	199
93.85	69	Pohjola 'B'	93.25
28.8	19	Rauma-Repola	27.5
261	137.5	Stockmann 'B'	261
36.75	28.8	UBF 'C'	34.75
169.5	150	Utd. Paper	168.5
236	155.5	Wartsila (s11)	235

FRANCE

1987 High	1987 Low	July 17	Price Frs.
1961	1515	Emprunt 4½% '73	1870
9091	6600	Emprunt 7% 1973	9000
573	446	Accor	465
632.5	502.5	Agence Havas	535
768	660	Air Liquide	690
3005	2190	Alcatel	2510
868	666	BIC	725
619	525	BNP (Cert. Inv.)	537
3000	2380	Bongrain	2750
5220	990	Bouygues	1120
5200	4150	BSN Gervais	4715
3895	3080	Carrefour	3175
746	572	Club Mediterranee	611
1185	649	Cie Bancaire	683
407	349	Cofimeg	349
336.5	315	CGE	327
3150	2360	Damart	2580
545	379	Darty	418
2560	1912	Dumez S.A.	2200
1543	1136	Eaux (Cie Gen)	1193
398	314	Elf-Aquitaine	394.50
3772	3219	Essilor	3665
1380	1069	Gen. Occidentale	1140
157	84.6	Imetal	150
1760	1326	Lafarge Coppee	1623
3889	3154	L'Oreal	3778
5980	4358	Legrand	5250
196.5	73.3	Maisons Phenix	81
2865	2,150	Matra S.A.	2300
3840	2464	Michelin B.	3180
1734	1295	Midi (Cie)	1335
2800	2200	Moet-Hennessy	2790
119	70	Moulinex	71
229	159.1	Nord Est	168
549	448	Paribas	461.80
1186	959	Pernod Ricard	996
839	716	Perrier	796
558	400	Petroles Fra	492.10
1399	959	Peugeot S.A.	1367
810	456	Printemps Au	640
1758	995	Radiotech	1491
3600	2475	Redoute	2955
1925	1445	Roussel-Uclaf	1445
460	390	St. Gobain	453.90
500	450	Sefimeg	466
1560	1161	Skis Rossignol	1220
3640	2850	Telemech Elect	3120
1745	1306	Thompson (CSF)	1312
638	502	Valeo	587

SWEDEN

1987 High	1987 Low	July 17	Price Kronor
209	142	AGA (free)	208
343	261	Alfa-Laval	325
397	286	ASEA (Free)	397
300	200	Astra (Free)	300
184	140	Atlas Copco	177
240	136	Beijer A Fria	229
246	143	Cardo (Free)	246
380	235	Cellulosa	364
331	274	Electrolux B	309
298	189	Ericsson	255
177	124	Esselte	177
400	210	Mo Och Domsjo	400
240	187	Pharmacia	207
770	600	Saab-Scania (free)	643
190	135	Sandvik	183
170	110	Skandia Ins.	164
309	229	Skandia Intl.	250
135	104	Skan Enskilda	134
397	310	SKF	349
406	269	St. Kopparbergs	406
485	380	Svka Handelsbn	485
105.6	83	Swedish Match	104
347	261	Volvo B (Free)	336

GERMANY

1987 High	1987 Low	July 17	Price Dm.
350	280	AEG	313.80
2220	1553	Allianz Vers	1970.00
315.5	239	BASF	315.40
349.7	274	Bayer	342.00
563	365	Bayer-Hypo	453.00
523	375	Bayer-Verein	442.00
543	390	BHF-Bank	470.00
709	455	BMW	709.00
344	270	Brown Boveri	329.50
312	244.5	Commerzbank	293.00
360	269	Cont'l Gummi	358.50
1220	920	Daimler-Benz	1170.00
548.2	420	Degussa	548.20
240	200	D'sche Babcock	236.00
790	571	Deutsche Bank	664.00
381	286	Dresdner Bank	342.80
325	268	Feldmuehle Nobel	313.00
582	458	Henkel	582.00
1110	612	Hochtief	680.00
321.1	240	Hoechst	321.10
126	88	Hoesch Werke	126.00
555	367	Holzmann (P)	425.00
293	201	Horten	242.50
630	507	Hussel	627.00
500	403	Karstadt	500.00
529	447	Kaufhof	490.00
182	142	KHD	172.00
51.8	35	Kloeckner	40
762	589	Linde	762.00
200	143	Lufthansa	192.00
197.6	148	MAN	196.80
185	142	Mannesmann	172.50
1025	740	Mercedes Hld	1001.00
366	250	Metallgesell	365.00
2700	1550	Muench Rueck	2150
840.5	687	Nixdorf	840.50
1024	815	Porsche	985.00
200	145	Preussag	190.50
240	186	Rhein West Elect	237.00
346	238	Rosenthal	292.00
691	524	Schering	606.00
747.5	628	Siemens	687.80
132.5	109	Thyssen	132.50
372	311	Varta	372.00
324.5	252	Veba	310.50
174.5	139.5	V.E.W.	162.00
486	375	Verein-West	419.00
430	312	Volkswagen	412.00

NETHERLANDS

1987 High	1987 Low	July 17	Price Fls.
65.5	55.5	ACF Holding	63.50
100.1	78	AEGON	97.20
108.6	91.2	Ahold	108.60
172.8	127.3	AKZO	171.70
530	444	ABN	486.00
75.4	58.2	AMEV	64.50
90.5	70	AMRO	82.50
57	48.2	Buehrmann-Tet	56.90
260.5	195.5	Dordtche Petroleum	260.50
58.1	46	Elsevier Ndu	56.10
58.5	44	Fokker	55.00
51.5	39	Gist Brocades	51.50
194.3	145	Heineken	194.30
47.7	29.7	Hoogovens	47.70
62.1	48.4	Hunter Douglas	57.50
24	16.6	IHC Caland	23.50
70.7	59	Int Mueller	67.40
54.3	35.1	KLM	53.90
162.5	133.5	KNP	156.50
81.2	66	Nat Ned Cert	74.20
197	153	Ned Mid Bank	182.00
180.5	128.5	Ned Lloyd	150.00
476	380	Oce Grinten	450.00
41.6	34	Ommeren (Van)	37.40
83.5	60	Pakhoed	83.50
56.2	43	Philips	56.20
110.2	94	Robeco	108.50
146.8	137.6	Rodamco	140.80
100.5	82.8	Rolinco	99.80
52.6	49.6	Rorento	52.10
290.9	207.8	Royal Dutch	290.90
692.3	135	Unilever	143.00
28	22.5	VMF Stork	25.10
92.2	68	VNU	92.20
92	73	Wessanen	90.50
140	106.5	Wolters Samsom	119.00

SWITZERLAND

1987 High	1987 Low	July 17	Price Frs.
13050	8,725	Adia Intl.	11900
790	430	Alusuisse	790
4100	2925	Bank Leu	3300
2510	1,570	Brown Boveri	2490
3,850	2,920	Ciba Geigy	3840
2625	2,000	do. (PtCts)	2625
3,840	2900	Credit Suisse	3270
3850	3400	Elektrowatt	3825
1990	1370	Fischer (Geo.)	1625
142,750	111,000	Hoff-Roche (Pt Cts)	141125
14,250	11,950	Hoff-Roche 1/10	14125
9250	7,900	Jacobs Suchard	9250
4,130	3275	Jelmoli	3650
1,880	1500	Landis & Gyr	1750
10550	8,625	Nestle	10550
1460	1,110	Oer-Buhrle	1425
2350	2,050	Pargesa Hldg	2350
460	389	Pirelli	446
13900	10,300	Sandoz (Br)	13825
2270	1,850	Sandoz (PtCts)	2230
870	590	Schindler (PtCts)	790
1,750	1500	Sika	1600
8,950	6010	Surveillance	6500
1440	1,080	Swissair	1430
572	421	Swiss Bank	482
20,300	15200	Swiss Reinsce	17800
2,788	1960	Swiss Volksbk	2200
6,120	4350	Union Bank	4925
7,500	5,800	Winterthur	6725
7,917	5875	Zurich Ins	6975

SOUTH AFRICA

1987 High	1987 Low	July 17	Price Rand
4.2	2.8	Abercom	2.80
19.25	14.5	AE & CI	16.50
155	92	Allied Tech.	155
43	33	Anglo Am Coal	39.25
86	67	Anglo Am Corp	86
396	308	Anglo Am Gold	399
25	18.25	Barclays Bank	22
26.75	18.9	Barlow Rand	24.75
81.75	65	Buffels	71.50
5	2.9	CNA Gallo	4.80
7.4	5	Currie Finance	5.70
46.25	35.75	De Beers	46.25
89.25	66.5	Driefontein	89.25
60.75	48	Freegold	58.50
83.5	57	Gold Fields SA	83.50
7	4.9	Highveld Steel	6.70
21.25	17	Malcor Hldgs	20.75
8.55	6.2	Nedbank	8.20
19.1	13	OK Bazaars	19.00
15.5	10	Rembrandt	15.00
59	44.87	Rust Plat	59
29	17.5	Safren	29
19	10	Sage Holdings	16.25
22	15.3	SA Brewers	22
45	29.75	Smith (C.G.)	45
15	7.75	Tongaat Hulett	15

AUSTRALIA

1987 High	1987 Low	July 17	Price Aust$
4.5	2.55	ACI Int.	4.30
3.8	1.8	A.F.P.	2.95
14.5	7.9	Adelaide Steams	8.90
5.14	4.15	Amcor	4.90
4.45	2.8	ANZ Group	4.42
3.45	2.65	Ampol Pet	3.40
3.75	2.6	Ariadne Aust	2.60
4.7	2.7	Ashton	3.60
3.12	2.25	Aust Guarant	2.80
2.14	1.05	Aust Nat Inds	2.13
8.8	7.1	Bell Group	8.70
6.4	4.05	Bell Resources	5.26
2.69	1.67	Bond Corp Hldgs	2.64
5.64	4.35	Boral	5.52
5.46	3.1	B'ville Copper	4.78
10.3	6.95	Brambles Inds	10.00
1.9	0.85	Bridge Oil	1.90
10.4	7.75	BHP	10.40
1.9	1.2	BHP Gold	1.50
4.91	3.77	Burns Philp	4.85
11.3	6.4	CRA	10.56
4.35	3.55	CSR	3.95
5.8	2.55	Chase Corp	3.20
1.85	0.7	Claremont Petro	1.35
7.46	6	Coles Myer	7.30
4.1	2	Comalco "A"	4.05
0.74	0.16	Consolidated Pet	0.22
3.8	2.05	Costain Aust	2.80
5.1	4	Elders IXL	4.80
2.8	1.55	Energy Res	2.80
3.43	2.18	Gen Prop Trust	3.35
4.95	3.42	Goodman Fielder	4.40
4.1	2.8	Hardie (J.)	4.00
5.1	2.6	Hartogen Energy	3.75
5.2	2.7	ICI Aust	5.00
6	4.35	Industrial Equity	5.50
0.87	0.38	Jimberlana (50cFP)	0.65
14.06	10	Jones (David)	12.00
1.45	0.85	Kia Ora Gold	1.05
9.8	5.9	Kidston Gold	7.50
16.6	8.4	Lend Lease	16.00
3.48	1.45	MIM	2.88
5.24	3.9	Mayne Nickless	5.24
5.2	4.1	Nat. Aust. Bank	5.00
25	17	News	20.10
4.5	3.1	Noranda Pacific	4.25
3.7	1.91	North Bkn Hill	3.70
1.11	0.53	Oakbridge	0.60
5.46	3.5	Pacific Dunlop	5.46
4.5	2.68	Pancont'l	4.10
4	3.05	Pioneer Conc	3.90
4.75	2.1	Placer Pacific	4.12
6.1	2.7	Poseidon	5.70
1.7	0.98	Queensland Coal	1.56
7.66	3.85	Santos	7.66
5.4	4.18	Smith (H.)	5.40
89.92	3.16	Thos Natwide	5.18
8.1	5.75	Tooth	7.96
4.05	2.55	Vamgas	3.90
8.46	3.51	Western Mining	8.46
5.46	4.4	Westpac	5.46
2.68	1.55	Woodside Petrol	2.20
4.1	3.1	Woolworths	3.30
4.4	2.5	Wormald Intl	3.40

HONG KONG

1987 High	1987 Low	July 17	Price H.K.$
29.7	17.5	Bank East Asia	29.70
7.1	4.9	Cathy Pacific	7.10
13.5	8.8	Cheung Kong	12.50
24.8	17.5	China Light	24.80
0.97	0.58	Evergo	0.70
16.3	10.2	Hang Lung	16.30
48.7	26	Hang Seng Bank	48.70
7.3	3.9	Henderson Land	7.25
24.8	15.3	Hong Kong China	19.30
11.5	6	HK Electric	9.45
8.3	5.1	HK Land	7.40
11	7.4	HK Shanghai Bank	9.55
15.5	11.3	HK Telephone	14.50
14	11.3	Hutchison Wpa	13.30
28.3	17.7	Indust Equity P	27.20
20	13.1	Jardine Math	18.70
13.7	8.1	New World Dev	13.70
18.1	9.25	SHK Props	17.90
1.59	1.12	Shell Elec. Mfg.	1.43
25	15.5	Swire Pac A	24.60
14.6	8.45	TV-B	14.60
9.9	7.5	Wharf Hldgs	9.20
13.4	8.4	Windsor Ind	13.40
4.4	3	World Int Hldgs	4.37

NORWAY

1987 High	1987 Low	July 17	Price Kroner
79	57	Aker-Norcem	72.50
191	169	Bergen bank	178.50
419	260	Bergesen B	410.00
211	176	Christiania Bk	191.00
208	148	Den Norsk Credit	158.50
117.5	86.5	Elkem	117.50
161	128.5	Kosmos	135.50
220	170	Kvaerner	219.50
258	204	Norsk Data	228.50
237.5	131	Norsk Hydro	237.50
429	368	Orkla Borregaard	425.00
368	290	Storebrand	352.00

SPAIN

1987 High	1987 Low	July 17	Price Pts.
1680	1275	Banco Bilbao	1465.00
1135	970	Banco Central	1002.00
650	385	Banco Exterior	460.00
630	450	Banco Hispano	520.00
1900	1395	Banco Popular	1680.00
1295	930	Banco Santander	1250.00
2010	1600	Banco de Vizcay	2010.00
910	610	Banesto	770.00
870	450	Dragados	845.00
113.2	52.2	Hidrola	73.50
169.2	84.2	Iberduero	112.00
603	375	Petroleos	581.50
225	146.5	Telefonica	225.00

ITALY

1987 High	1987 Low	July 17	Price Lire
6950	3150	Banca Com'le	3405
715	590	Bastogi-IRBS	610
7155	5765	CIR	5978
3650	1910	Credito Italian	2000
17163	11644	Fiat	11970
141200	129000	Generali Assicur	139000
107000	72000	Italcement	107000
1340	960	La Rinascenti	1270
2968	2190	Montedison	2450
14700	11900	Olivetti	12400
7840	6310	Pirelli Co	6495
5750	4863	Pirelli Spa	4863
4360	3499	Saipem	3840
4895	3380	Snia BPD	3401
35500	27720	Toro Assic.	31500

JAPAN

1987 High	1987 Low	July 17	Price Yen
4100	1890	Ajinomoto	3230
1,990	1020	All Nippon Air	1900
2550	1320	Alps Electric	2510
1280	770	Asahi Chemicals	1150
2180	1310	Asahi Glass	1830
1900	1040	Bank Tokyo	1640
1118	602	Bridgestone	1020
694	545	Brother Inds.	665
1030	691	Canon	925
1410	861	Casio Computers	1260
1960	1340	Chugai Pharm	1860
1910	1190	Daiei	1870
4160	1950	Dai Ichi Kan Bank	3160
809	603	Dai Nippon Ink	759
2400	1700	Dai Nippon Ptg	2070
2630	1760	Daiwa House	2330
3930	1750	Daiwa Sec	2720
2380	1710	Eisai	2120
6150	386	Fanuc	5710
4220	2860	Fuji Bank	3070
3990	2730	Fuji Film	3710
2360	1750	Fujisawa	2170
1200	700	Fujitsu	1120
2070	479	Furukawa Elect	678
2990	2230	Green Cross	2880
2230	1600	Heiwa Real Est	1850
1230	860	Hitachi	1110
2080	1500	Hitachi Credit	1660
1790	1140	Honda	1520
5400	2560	Indl Bank Japan	4170
769	406	Ishikawajima Ha	606
418	310	Isuzu Motors	378
1030	685	Itoh (C)	695
4240	3210	Ito Yokado	3880
16800	1200	JAL	13100
1780	1050	Jusco	1610
2130	1460	Kajima	1670
2170	1650	Kao Soap	1970
283	175	Kawasaki Steel	235
3090	1600	Kirin	2480
349	156	Kobe Steel	248
690	474	Komatsu	655
950	571	Konishiroku	835
678	348	Kubota	592
1340	1000	Kumagai	1010
6200	3560	Kyoto Ceramic	5970
620	440	Marubeni	506
3610	2500	Marui	3450
452	330	Mazda Motors	416
1960	800	Meiji Seika	1120
2380	1460	MEI	2370
4200	2010	M'bishi Bank	3060
1270	731	M'bishi Chem	1110
1640	960	M'bishi Corp	1210
680	408	M'bishi Elec	612
3490	2440	M'bishi Estate	2640
662	430	MHI	570
3030	1310	Mitsui Bank	2340
939	530	Mitsui Co.	715
3100	1850	Mitsui Estate	2320
804	335	Mitsui Toatsu	699
1840	1020	Mitsukoshi	1690
1,040	807	NGK Insulators	920
3120	1510	Nikko Sec.	2270
1660	1050	Nippon Denso	1510
2200	1400	Nippon Elect	1890
1610	1110	Nippon Express	1150
1700	1270	Nippon Gakki	1520
908	600	Nippon Kogaku	865
367	230	Nippon Kokan	266
1510	1120	Nippon Oil	1440
588	439	Nippon Seiko	576
1470	1000	Nippon Shimpan	1410
398	171	Nippon Steel	311
675	460	Nippon Suisan	611
691	443	Nippon Yusen	561
765	550	Nissan Motor	680
1450	728	Nisshin Flour	1280
5900	2920	Nomura	4310
1390	948	Olympus	1130
840	540	Onoda Cement	680
2250	1010	Orient Finance	1580
4360	3330	Orient Leasing	3700
3130	1600	Pioneer	2980
1100	700	Ricoh	1020
2050	1610	Sankyo	1770
3610	1610	Sanwa Bank	2740
580	361	Sanyo Elect	549
2233	1233	Sapporo	1950
2640	1660	Sekisui House	2380
8490	6700	Seven-Eleven	7700
1250	816	Sharp	1250
1190	723	Shimizu Const.	935
1980	1550	Shionogi	1670
2170	1680	Shiseido	2120
710	362	Showa Denko	621
4340	2720	Sony	4150
4930	2560	S'tomo Bank	3680
970	395	Sumitomo Chem	840
1850	930	Sumitomo Corp	968
1870	1460	S'tomo Elect	1620
270	140	S'tomo Metal	214
1350	892	Taisei Corp	1000
1570	971	Taisho Marine	1130
1900	780	Taiyo Kobe Bank	1590
3630	2480	Takeda	2950
4250	2660	TDK	4200
880	660	Teijin	796
2250	1620	Toa Nenryo Kyo	2150
2600	1180	Tokai Bank	2190
2890	1810	Tokyo Marine	2120
9350	6000	Tokyo Elect Pwr	6090
1570	1000	Tokyo Gas	1040
2100	1270	Tokyu Corp	1540
1780	1410	Toppan Print	1580
790	555	Toray	690
796	599	Toshiba Elect	620
2680	1910	Toyo Seikan	2630
2100	1460	Toyota Motor	1780
530	258	UBE Inds	457
3270	1690	Victor	3250
900	603	Yamaha	880
3100	1500	Yamaichi Sec	2250
4490	3630	Yamanouchi	4280
1900	1560	Yamazaki	1620
1560	935	Yasuda Fire	1180

SINGAPORE

1987 High	1987 Low	July 17	Price $
2.2	1.25	Boustead Hldgs	2.12
6.4	4.25	Cerebos Pacific	6.40
5.2	3.5	Cold Storage	4.84
15.9	9.05	DBS	15.80
8.8	6.15	Genting	7.30
5.85	2.58	Haw Par Bros	5.85
5.05	2.71	Hong Leong Fin	4.86
6.75	2.72	Inchcape Bhd	6.75
4.1	2.74	Keppel Shipyard	4.10
8.35	5.15	Malay Banking	8.35
2.66	1.16	Malayan Utd. Ind	2.64
1.02	0.39	Multi Purpose	0.94
10.5	8.9	OCBC	10.50
5.55	3.22	OUB	5.55
2.89	1.17	Public Bank	2.87
3.9	1.93	Sime Darby	3.90
14.2	9.25	Singapore Air	13.90
9.65	7.6	Singapore Press	9.65
4.94	3.66	Straits Trading	4.94
4.1	2.82	Tat Lee Bank	4.10
7.05	4.18	UOB	7.05

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices July 17

Sales	Stock	High	Low	Close	Chng
14528	AMCA Int	$15⅝	13¼	13¼	−¼
315147	Abitibi Pr	$33½	32½	32½	−1
600	Acklands	$18½	18½	18½	+½
17480	Agnico E	$35⅝	35	35	−1
31954	Albrta En	$23½	22¾	22¾	−½
9425	Albrta N	$15¾	15⅝	15⅞	+⅛
149804	Alcan	$45⅞	45⅛	45½	−¼
100	Algo Cent	$23½	23½	23½	+½
5388	Algoma St	$18⅝	18¼	18¼	−¼
106332	Asamera	$14¼	13⅞	14	+⅛
315587	Atco I f	$13¼	12½	12⅞	+½
3500	Atco II	$13	12⅝	12⅞	+⅝
3813	BC Sugar A	$30½	30	30¼	+⅛
4110	BGR A	$13¾	13⅝	13½	−¼
79000	BP Canada	$25½	25	25½	+½
7051	Banister C	$13	12⅞	13	
82305	Bk BCol	57	55	55	−3
121045	Bk Montl	$34¾	34¼	34½	−¼
122241	Bk NScot	$18⅝	18⅛	18¼	−⅛
137178	Bell Can	$42	41⅝	41⅞	
725887	Bow Valy	$22	21¾	21⅞	+⅛
14050	Bralorne	285	285	280	+15
2850	Bramalea	$24¾	24½	24¾	+¼
126071	Brascan A	$40¾	40	40⅝	+⅜
86662	Brkwater	$9¾	9½	9½	−⅜
10600	Brenda M	$15¼	14⅞	15	
182203	BC ForP	$24¼	23⅞	24	+⅛
102800	BC Res	122	117	122	+2
13880	BC Phone	$28½	28⅜	28⅜	−¼
3100	Brunswk	$18	17⅞	17⅞	
92480	CAE	$12⅛	11¾	12	
67400	CCL B f	$14¼	13¾	14	+¼
7400	CIL	$32¼	32	32¼	+¼
9700	Cad Frv	$31⅜	31⅛	31⅛	−⅛
4100	Cambridg	$29	28¾	29	+¼
129150	Camp RLk	$38⅝	37¼	37⅜	−1⅛
21645	Camp Res	335	315	320	−10
4600	Camp Soup	$20½	20¼	20½	+⅛
71204	Campeau f	$41⅜	40⅞	41	−½
66705	CCam ex p	$16	16	16	
289745	CDC f	$16⅛	15¾	15¾	+¼
5935	Can Malt	$22¼	22	22¼	+¼
62387	C Nor West	$27¼	27	27	−½
2700	C Packrs	$18¼	18⅛	18¼	+⅛
300	CS Pete f	420	420	420	−5
1500	Can Trust	$75½	74½	75½	+2
500	Cdn GE	$21¾	21¾	21¾	
250	CG Invest	$52½	52½	52½	+½
180051	CI Bk Com	$23⅝	22⅞	22⅞	−⅛
2900	C Marconi	$22½	22¼	22½	+¼
18213	C Occdental	$44	43¼	43¼	
706613	CP Ltd	$29¼	28⅞	28⅞	
43841	CTire A f	$15¼	15	15⅛	
9464	CUtil A f	$20⅝	20½	20½	
2100	CUtil B	$20½	20½	20½	
42522	Canfor	$32¼	32	32¼	+¼
10100	Canron A	$17	16¾	16¾	
6300	Cara	$13⅛	12⅞	13	
138919	Carma A	12	11½	12	
2951	Celanese	$21¾	21⅜	21¾	+¼
29150	CenFd A	$9⅜	8⅞	9⅛	
14454	Chieftan	$16⅛	15¾	16	
100800	CHUM B f	$16¾	16¼	16¾	+¾
497385	Cominco	$20⅛	19¾	20	+¼
200950	Compulog	$9½	9⅛	9⅜	+⅛
4000	Comput In	310	305	305	
44900	Con Bath A	$20½	20⅛	20⅜	
750	CDistb B f	475	470	475	−5
2540	Cons Gas	$27	26¾	26¾	−¼
4100	Con Glass	$26½	26	26½	+1
2000	CTL Bank	350	350	350	+10
6730	Conwst B	$14¼	14¼	14¼	+⅛
810	Corby	$20	20	20	−¼
3200	Costain Ltd	$12¾	12½	12¾	+¼
25193	Coseka R	125	122	122	−5
10000	Crownx	$18	17⅛	17¾	+½
708090	Crownx A f	$8½	8	8⅜	+⅜
7500	Czar Res	235	220	235	+35
40833	Denison A p	$8	7⅞	8	+⅛
52075	Denison B f	$7⅞	7½	7⅝	+⅛
10100	Develcon	425	420	420	−5
28800	Dicknsn A f	$13¼	12¾	12⅞	−⅜
400	Dicknsn B	$13⅛	13⅛	13⅛	−¼
65184	Dofasco	$29¼	28⅝	29¼	+½
137210	Dome Mine	$19⅜	18⅝	18¾	−¾
85775	Dome Pete	112	110	110	−2
12434	D Textile	$20⅛	19¾	20⅛	+⅝
21271	Domtar	$21⅛	20⅞	21	
7200	Donohue	$37	36¼	37	+¾
6208	Du Pont A	$32	31½	31¾	
65541	Dylex A	$18½	18⅛	18¼	
66048	Echo Bay	$27⅝	26¾	27	−⅝
1600	Emco	$14	13⅞	14	
1500	FCA Intl	$16⅛	16	16	
403100	Ficnbrdg	$27⅛	26½	26⅞	+⅛
8670	Fed Ind A	$18⅜	18¼	18¼	
15900	Fed Pion	$13⅜	13⅛	13⅜	+¼
2550	FCity Fin	$20¼	19⅞	19⅞	
530	Ford Cnda	$187	184	186½	+2½
2600	Gandalf	$10¾	10⅜	10⅜	−⅜
43950	Geac Comp	290	275	285	+6
42300	Gendis A	$19½	19⅛	19½	
1900	Giant Yk	$25½	24½	24½	−1
4600	Gibrltar	$12¾	12½	12¾	+¼
48700	Goldcorp f	$11½	11⅛	11¼	+⅛
30400	Grafton A f	$14¾	14¾	14¾	
2900	GL Forest	$52½	52	52	
100	Gt Pacific	$48	48	48	+1¼
5308	Greyhnd	$25¾	25	25¾	+¾
22620	GuarPA f	$18½	18⅛	18⅜	+⅛
1495	Hawker	$28	28	28	
5438	Hayes D	$12¼	11⅞	12¼	+⅜
14592	Hees Intl	$24⅝	24¼	24⅝	
7658	H BayMn s	$11⅛	10¾	10¾	−⅛
5549	H Bay Co	$24½	24½	24½	+⅜
53897	Imasco	$35½	35⅛	35¼	−⅛
38986	Imp Oil A	$76¾	75¾	75¾	−¾
211879	Inco	$27	26⅝	26⅞	+⅛
6900	Indal	$15¼	14¾	15	+¼
3080	Inland Gas	$14⅝	14⅜	14⅝	+¼
28000	Innopac	$11	10¾	11	+⅛
8182	Inter City	$20⅛	19⅞	20	
54980	Intl Thom	$15¼	15⅛	15⅛	
6995	Intpr Pipe	$55⅜	54⅛	55⅜	+1⅜
52898	Ipsco	$13	12½	13	+½
15560	Ivaco A f	$18	17¾	18	+⅛
300	Ivaco B	$18	18	18	+¼
12932	Jannock	$21⅜	20¾	20⅞	−½
1200	Kerr Add	$28½	27¾	27¾	−¾
3800	Kiena Gld	$20¾	20	20¼	−¼
24365	Labatt	$28	27⅞	27⅞	−⅛
27899	LL Lac	$45⅝	44½	44½	−1¼
13030	Lacana	$19	18¾	18⅞	−⅜
12100	Laidlaw A	$21½	21¼	21⅜	+⅛
155849	Laidlw B f	$20⅜	20⅛	20⅛	−⅛
37600	Leigh Inst	$6	5⅝	5⅞	+⅜
25941	Loblaw Co	$16⅞	16⅝	16⅝	−⅛
7347	Lumonics	$11¼	11	11¼	+¼
2848	MSR Ex	405	400	400	−25
43688	Mclan H X	$21½	21	21⅛	−⅜
36700	Mcln HY f	$19½	19	19	−½
265833	Macmilan	$29½	28⅞	29⅜	+⅜
75565	Magna A f	$25	23¾	24⅛	−¾
5045	Maritime f	$16½	16⅝	16½	+⅛
16450	Mc Intyre	$50⅞	49⅞	50⅞	+1⅞
123300	Mnrl Res	445	420	445	+35
83500	Mitel Corp	$6½	6⅛	6⅜	
7300	Moffat	$16¾	16½	16¾	+¼
12293	Molson A f	$26⅜	26⅛	26⅛	−¼
46050	M Trusco	$15	14⅞	15	
83280	Moore	$34½	32¾	33	−1⅜
10400	Murphy	$31	30⅞	31	+¼
36998	Nat Bk Can	$14½	14¼	14⅜	
4364	Nt Vg Trco	$23¾	23⅛	23⅜	
4000	Nu CapA f	$11¾	11⅛	11¾	+⅝
1598	Nfld LP A	$20⅜	20	20⅜	+⅜
188818	Noranda	$34⅝	34⅛	34¼	
105708	Norcen	$28⅛	27¼	27¾	+½
189582	Norcn ord f	$25¼	24¼	24¾	+⅜
28787	NC Oils	$18⅛	18	18⅛	
457924	Nor Tel	$30½	29¾	30⅛	
12250	Northgat	$11¾	11½	11½	−¾
810971	Nva AltA f	$10½	10⅛	10¼	+¼
265188	Nowsco W	$24¾	23¾	24⅝	+1⅝
73908	Nu West	37	37	37	+1
158180	Numac	$11	10⅝	10⅞	+⅛
7300	Oakwood	345	340	345	+20
10938	Oakwd A f	215	202	215	
9513	Ocelot B f	$5½	5⅛	5⅜	+⅛
6100	Omega Hyd	$8¾	8½	8¾	−¼
22100	Oshawa A f	$22½	22¼	22½	
54750	PacW Airl	$24¾	24¼	24⅜	−⅜
208860	Pgurin A f	$12½	12	12½	+⅛
7800	Pamour	$16½	16¼	16¼	
5080	PanCan P	$35½	35	35½	
116031	Pegasus	$29¼	28¾	28⅞	−¾
9085	Pembina	$18½	18	18½	+½
15100	PJewl A f	$13¼	13	13¼	+¼
500	Pine Point	$14	13¾	13¾	−½
198400	Placer D	$22¾	22¼	22⅜	−½
208912	Poco Pet	$18¼	17⅝	18⅛	+⅜
413275	Powr Cor f	$17¾	17⅜	17⅝	+¼
1642	Precamb	370	370	370	
108600	Provigo	$13	12¾	13	
6750	Que Sturg	$7⅜	7⅛	7⅛	−⅛
183350	Ranger	$8⅞	8¾	8¾	+⅜
4800	Rayrock f	$13½	13	13¼	−¼
13250	Redpath	$13⅜	13¼	13¼	
2200	Regionl R	375	360	360	−10
900	Reitman A f	$23¾	23¾	23¾	+¼
14445	Rio Algom	$23⅞	23⅜	23¾	
3000	Rogers A	$25	24½	25	+¾
15700	Rogers B f	$24⅜	24	24	−⅜
3650	Roman	$18	17⅝	18	+¼
5800	Rothman	$38¼	37¾	38¼	+1¼
265271	Royal Bnk	$36⅜	35¾	35⅞	−⅜
36196	RyTrco A	$18⅝	18¼	18¼	−¼
57597	Royex	$5½	5⅜	5⅜	+⅛
9200	SHL Syst	$26	25	25⅞	+⅝
5250	Sd CemA f	$28	28	28	
72185	Sceptre	$5	490	490	
3900	Scot Paper	$20½	20¼	20½	+⅛
17780	Scotts f	$13⅛	13	13⅛	+⅛
2700	Scotts C	$13½	13⅜	13½	+⅛
49003	Seagram	$105⅜	104¼	104½	−⅛
53441	Sears Can	$12¾	12½	12⅝	+¼
32200	Selkirk A f	$23	22½	22¾	−¼
73552	Shell Can	$50⅝	49¾	50	
13758	Sherritt	$6½	6⅜	6⅜	
11495	Southm	$23	22¾	22¾	
16777	Spar Aero f	$21⅛	20½	20⅝	−¾
1200	Steinbg A f	$36⅝	36½	36⅝	+⅛
45152	Stelco A	$28¼	28	28	−⅛
40384	Teck B f	$33½	33	33⅜	−⅛
2500	Tele Met	$29½	29½	29½	
22896	Terra Mn	245	237	245	
31865	Texaco Can	$42	41	41⅝	+⅛
21847	Thom N A	$34⅝	33¾	33¾	−⅞
244816	Tor Dm Bk	$31¾	31	31	−¾
1890	Tor Sun	$20½	20⅜	20⅜	−¼
13444	Torstar B f	$32	31¾	32	−⅛
25910	Total Pet	$26⅝	26	26½	+¾
418749	Traders A f	$74	73	73½	−¼
300	Trns Mt	$16⅛	16⅛	16⅛	−¼
31693	TrnAlta UA	$29½	29¼	29⅜	−⅛
55080	TrCan PL	$19	18⅝	18⅝	−⅜
83337	Trilon A	$21¾	21	21	−½
84905	Trimac	$6½	6	6½	+½
13300	Trinity Res	130	105	130	+25
8200	Trizec A f	$33	32½	32⅝	−⅛
1250	Trizec B	$34½	34	34	
107573	Ulster P	310	300	305	+5
510	Un Carbid	$18¼	18¼	18¼	−¼
112467	U Entprise	$11¼	11⅛	11⅛	−⅛
5000	U Canso	135	130	135	+7
857	Un Corp	$55	54¼	55	+⅜
1000	Vestgron	115	115	115	−5
6200	Vulcan Ind	305	295	305	+10
3000	Walax A	$15¾	15¾	15¾	+⅛
38269	Wcoast T	$19¼	18⅞	19	−⅛
55760	Westmin	$14¾	14⅛	14⅝	−¼
6770	Weston	$45¾	45	45¾	+⅛
11653	Woodwd A	$5¾	5⅝	5⅝	

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices July 17

Sales	Stock	High	Low	Close	Chng
34608	Bank Mont	$34¾	34¼	34¼	−½
8059	BombrdrA	$11¼	10½	10⅞	−⅜
198815	BombrdrB	$11¼	10⅝	11	−¼
2450	CB Pak	$21¾	21¾	21¾	
18336	Cascades	$12½	12¼	12¼	−⅛
100	CIL	$32	32	32	
38352	ConBath	$20½	20¼	20⅜	
36516	DomTxtA	$20¼	19½	20¼	+⅞
8550	MntTrst	$15	14⅞	14⅞	−⅛
64678	NatBk Cda	$14½	14¼	14¼	
146175	Noverco	$12⅜	12¼	12¼	−⅜
321820	Power Corp	$17¾	17⅜	17⅝	+¼
93580	Provigo	$13	12¾	12⅞	
2300	RollandA	$15¾	15⅝	15⅝	−⅛
38374	Royal Bank	$36⅜	35¾	35⅞	−½
2825	SteinbrgA	$36⅞	36⅜	36⅞	+¼
4425	Video Tron	$15⅞	15⅝	15⅝	−¼

Total Sales 7,540,888 shares

OVER-THE-COUNTER
Nasdaq national market, Closing prices, July 17

Continued from Page 33

Stock	Sales (Hnds)	High	Low	Last	Chng
Salick	28 385	15⅛	14¾	14⅞	+⅛
SFFdl	501	18¼	17¾	18	
Sanfrds	20 120	27½	26¾	27½	+½
ScanTrs	17 39	12¾	12⅝	12⅝	
Scherer .32	22 220	18	17⅝	17⅝	−⅜
SchlAs .40	17 372	35¼	34½	35¼	+1
Scimds	198 295	12	11¾	11⅞	−⅛
SciMic	96 58	5⅞	5⅝	5¾	+⅛
ScotCb	128	26¼	26	26¼	+⅛
Seagate	13 13807	31	29½	30⅛	−¾
SeamF	24 102	27¼	26¼	26⅝	+⅜
SEEQs	43	9⅛	8⅞	9	
Selctins .92	12 88	26	25¾	26	
Sensor .05	32 1135	12⅝	12¼	12⅝	+⅜
SvcMer .08	5750	7¾	7½	7½	−⅛
SvOak .16	16 65	12⅞	12⅝	12⅞	+⅛
ShrMed .72	21 2908	28⅛	27¾	27⅞	−¼
Shwmt 2.04	21 655	44¾	44⅜	44⅜	−⅛
Sheldis	22 64	9⅞	9⅝	9⅞	
Shoneys .16	34 1901	29⅝	28⅝	29¼	+⅝
Shorwd	19 489	u21¾	21¼	21¼	+¼
SigmAl .28	32 323	48½	48	48	−½
SigmDs	20 161	15	14¼	14¼	−¾
SlicnGr	58 258	19	18½	19	+½
SiliconS	22 568	10	9⅝	9¾	
Silicnx	28 115	10¼	10	10	−¼
SilvLis	179 147	8½	5¼	5⅜	
SivStMn	44 1651	2⅝	2⅜	2⅝	
SimAir	6 133	8⅛	8	8	−⅛
Sizlers	24 432	19¾	19	19½	+½
SmthFs	10 79	19½	19	19¼	
Societys1.20	9 503	33⅛	32½	33¼	+½
SoctySv .36	9 113	21½	21¼	21¼	
SoftwA	19 446	13⅞	13⅜	13⅜	−¾
SftwPb	19 328	8½	8⅛	8¼	−¼
SomrSv	68	12¾	12⅜	12½	−¼
SonocPs	20 831	28¾	28¼	28½	+¼
SCarNs .56	11 251	22⅝	22⅜	22⅝	
Sounet	25 118	19	18½	19	+½
StndFn	289	5⅞	5½	5¾	
Soutrst .80	10 236	22⅝	22⅛	22⅛	−⅜
Sovran 1.44	10 935	35	34¾	34⅞	+⅛
Specdy	60 64	44⅜	44⅜	44⅜	
StdMic	395	15	14⅞	14⅞	
StdRegs .44	21 150	25⅜	24¾	25¼	
StrptSv1.43t	96	13⅝	13½	13⅝	+⅛
Stars	491	10	9¾	10	
StaStBs .44	15 488	30⅜	30⅛	30⅛	−⅛
Strlinc	25 29	40⅝	40½	40½	
Stwinf .76	9 73	20¾	20⅜	20¾	
Stratus	42 1097	32¼	31	31	−1
StrwbCl.93b	16 301	47½	47	47¼	+¼
Strykra	33 182	24⅞	24	24½	+¼
StudLvt	232	u71½	70¼	71	+¾
Subaru .38	7 2000	12⅛	11¾	11¾	−⅛
SuffFn .20	19 498	14¼	13	14¼	+1¼
SumtB .72	14 320	28½	28	28⅜	−⅛
SunGrd	449	18¼	18	18¼	
SunMic	37 7799	38⅝	37⅝	37¾	−⅜
Sunwsts 1	9 13	30	29½	30	
SymbT	54 126	31	30½	30½	
Symblic	435	4	3¾	3⅞	+⅛
Systin	10 182	10¼	10⅛	10¼	
Sysintg	13 189	9	8¾	8⅞	+⅛
SySoftw	80	16¼	16	16¼	
Systmt .12	28 186	25¾	25½	25¾	+¼
T T					
TBCs	18 1376	u16⅜	15¾	16⅜	+⅝
TCA .24	110	u27½	27¼	27⅜	+¼
TCBY	35 3326	14½	13	14	−½
TCF	25 2102	12⅝	11⅞	12⅝	+1⅛
TMK .20e	14 557	11¾	11½	11½	
TPI En	370	4⅞	4¾	4¾	
TS Inds	143 378	31½	30½	31½	
TSO	8 383	8¾	8½	8¾	
Talman	420	10½	10	10	−½
Tandon	8 4665	5⅛	4⅝	4⅞	−⅛
Taunton.12e	203	14½	14	14⅛	+⅛
TchDtas	22 578	12¾	12⅛	12⅝	+¼
Teknwd	239 582	17	15⅝	16¼	+1¼
TelcmA	36 3369	37½	37⅛	37½	
TlCmwt	793	55½	54¼	54¼	−1¼
Telcrds .24	44 985	38½	38	38⅜	+⅛
Telmatc	585	16½	15¾	16½	+½
Telabs	19 627	12¼	12	12⅛	
Telxon .01e	30 684	25⅝	24¾	25½	+½
Tennant .96	18 5	30½	30½	30½	
3Com	24 1487	18¼	17⅞	18	+⅛
ToklaFs.19i	78 40	69⅛	69	69	−3¼
TWApf	12	39¾	39¾	39¾	−¼
TrnMus	32 90	u41½	40½	41½	+1¼
Trnwck	35 865	13⅞	13¼	13¾	+¾
TriStar	21 4088	11¾	11¼	11⅜	
TriadSy	25 37	13	12¾	13	
Trimed t	717	17¼	15¾	16¾	+1
TrusJos	17 18	21¼	20¾	21¼	+½
TrstAm	14 2	16¼	15¾	16¼	+½
Tsricp 1.28	217	30½	30⅛	30½	
20Cnin .32	17 199	23½	22¾	23⅛	
TycoTy	11 2110	u12½	11½	12½	+⅞
Tysons	21 2391	19⅞	18⅝	19⅝	+¼
U U					
UTL	24 293	17	16¾	16¾	−⅛
Ungmn	725 2443	14¾	14	14½	+½
Unifi	20 3497	u17½	17	17⅝	+⅜
UnPlntr.20e	14 63	32¼	d31	32	+¼
UnWarn	25 21	47½	47½	47½	
UACm .04	177 1120	28¼	28	28¼	+¼
UBCol .54i	11 343	19⅝	19⅛	19¼	−⅛
UnCosF .50	6 832	18½	18⅛	18½	
UHltCr	17 194	6¼	6	6⅛	
UtdSvrs .72	7 46	24¾	24¼	24¾	+¼
US Bcs .88	10 500	27⅞	27⅝	27⅝	
US HltC .16	18 6296	13½	12⅞	13	−⅜
US Sur .40	27 997	36	34½	34⅝	−¾
US Trs 1	13 1039	40¼	39¼	40	+¼
UStatn .24	20 661	19	18¾	18⅞	+⅛
UVaBk 1.04	12 217	30	29¾	29⅞	−⅛
UnvFrs	18 607	19	18¼	18¾	+½
UnvHlt .33e	21 1093	8⅝	8½	8⅝	+⅛
V V					
VBand	30 329	u32	30¼	31½	+1
VLI	550	4¼	4	4	−¼
VLSI	125 818	15⅛	15	15	
VM Sft	27 941	19¼	17¾	17¾	−1⅛
VWR .80	10 57	26¾	26	26	−¾
ValidLg	219 182	4½	4¼	4⅜	
ValFSs	5 27	15¾	15½	15¾	
ValNtl 1.44	55 84	38⅝	38¼	38⅝	+⅛
Vicorp	386	10¼	10⅛	10⅛	
ViewMs	17 948	12⅜	11	12¾	+1⅝
Viking	13 15	17¼	17	17¼	
Vipont	67 257	17½	17⅛	17⅜	+¼
Viratks	1206	16¾	15⅜	16	
Volvo 1.24e	253	53⅛	53	53	+⅜
W W					
WD 40 1.32a	22 196	33¾	32½	33	−½
Walbro .40	12 252	25¾	24¾	24¾	+¼
WaltSv .22e	1	11⅞	11⅞	11⅞	
Warren	72	9½	9¼	9¼	
WashEs1.28	8 398	17⅛	16⅞	17⅛	
WFSLs .80	8 81	29½	29	29⅛	
WMSBs .48	5 630	37¼	36⅞	37	+⅛
WstrGl.44e	14 155	19⅜	19⅛	19⅛	−¼
WattsInd.06e	19 60	21½	21	21½	+½
WausP .48	13 102	28¾	28¼	28¼	
WbstFn	975	11⅛	11	11⅛	
Welbilt	16 6	32½	32½	32½	+½
Westcp	98	8	7¾	7¾	−⅜
WstAut	26 86	11¼	10⅝	11¼	+½
WstCap	9 120	15⅞	15⅝	15⅝	−⅛
WstFSL.10e	4 25	20⅛	19⅞	20⅛	+¼
WnWste	26 38	25	24¼	24½	+¼
WstnPb	19 294	16⅝	16½	16½	
WRTIA	12 128	17¾	17¼	17½	
Wstmrk	711	23	22¼	23	+½
WmorC .60	18 88	22	21¾	21¾	−¼
WetwOs	36 1038	26⅝	26	26⅝	+⅞
Wettra1.04b	17 46	48¾	48	48	−1
WilyJA 1.10	38 5	44½	44½	44½	
Willamt1.08	13 1312	53⅜	52¼	52¼	−1
WillAL	15 214	18¼	17⅞	18⅛	
WilSFS	689	14½	14	14	−⅛
WilmTs .72	14 313	29	28	28¾	+¾
WilsnF	13 204	9⅞	9⅝	9⅝	−¼
Windmr	22 308	11⅞	11⅜	11¾	+⅛
WiserO .40	225 474	22¾	22¼	22½	−¼
Woburn .20	1	11	11	11	
WCYS .10e	421	13⅜	13¼	13⅜	
WOW	13 1727	11¼	10¾	11¼	+⅜
Worthgs .36	21 1123	21⅛	21	21	−⅛
Wyman .80	279	18½	18	18	−½
Wyse	20 5136	29⅝	28⅞	29⅜	+1
X Y Z					
XOMA	1913	20	18½	19½	+¾
Xicor	328 2817	13⅛	12⅞	13⅛	+⅛
Xidex	44 813	13	12⅝	12⅝	−¼
Xylogic	18 34	15¾	15¼	15¼	
Xyvsn	30 253	13¼	12¾	13	−¼
YlowFs .82	17 1137	35⅝	34½	34½	−⅜
vjZZBst	2214	7-16	⅜	7-16	+3-16
ZZBstwt	229	3-16	⅛	3-16	+1-16
ZenNtl .80	13 48	22	21¾	22	
ZionUt 1.44	13 13	43½	42¾	42¾	−¾
Zondvn	445	14⅛	13⅞	13⅞	

Indices

NEW YORK — DOW JONES

	July 17	July 16	July 15	July 14	1987 High	1987 Low	Since compilation High	Since compilation Low
◆Industrials	2510.04	2496.97	2483.74	2481.35	2510.04 (17/7)	1927.31 (2/1)	2510.04 (17/7/87)	41.22 (2/7/32)
Home Bonds	88.69	88.75	89.10	89.00	95.51 (9/2)	87.07 (22/5)	— (—)	— (—)
Transport	1047.02	1044.78	1041.62	1043.73	1047.02 (17/7)	816.38 (2/1)	1047.02 (17/7/87)	12.32 (8/7/32)
Utilities	204.97	204.17	204.00	204.57	227.83 (22/1)	191.39 (20/5)	227.83 (22/1/87)	10.5 (8/4/32)

◆Day's High 2535.64 (2511.48) Low 2485.65 (2471.78)

STANDARD AND POOR'S	July 17	July 16	July 15	July 14	1987 High	1987 Low	Since compilation High	Since compilation Low
Composite‡	314.59	312.10	310.42	310.68	314.59 (17/7)	246.45 (2/1)	314.59 (17/7/87)	4.40 (1/6/32)
Industrials	368.33	366.44	359.97	359.91	368.33 (17/7)	274.58 (2/1)	368.33 (17/7/87)	3.62 (21/6/32)
Financials	29.48	29.35	29.29	29.42	31.51 (6/3)	25.97 (29/5)	31.51 (6/3/87)	8.64 (1/10/74)
NYSE Composite	176.67	175.70	174.58	174.67	179.77 (22/6)	141.01 (2/1)	179.77 (22/6/87)	4.46 (25/4/42)
Amex Mkt. value	353.45	353.09	350.89	349.72	353.45 (17/7)	267.49 (2/1)	353.45 (17/7/87)	29.31 (9/12/72)
NASDAQ OTC Comp	434.08	433.21	431.21	431.14	439.64 (20/3)	353.26 (2/1)	439.64 (20/3/87)	54.87 (3/10/72)

	June 26	June 19	June 12	year ago (approx.)
Dow Industrial Div. Yield	2.82	2.81	2.83	3.59
	July 16	**July 9**	**July 2**	**year ago (approx.)**
S and P Industrial Div. Yield	2.34	2.37	2.40	3.00
S and P P/E ratio	23.99	23.75	23.20	17.82

TRADING ACTIVITY † Volume

Millions	July 17	July 16	July 15
New York	209.980	210.880	202.290
Amex	18.48	14.882	14.061
OTC	—	158.582	160.176

NEW YORK	July 17	July 16	July 15
Issues Traded	1,981	1,962	1,948
Rises	903	892	726
Falls	650	626	759
Unchanged	428	444	463
New Highs	—	146	127
New Lows	—	11	16

CANADA

TORONTO	July 17	July 16	July 15	July 14	1987 High	1987 Low
Metals & Minerals	3261.90	3264.40	3220.54	3175.76	3264.40 (16/7)	1988.2 (2/1)
Composite	3984.40	3998.10	3977.40	3956.98	3998.10 (16/7)	3067.8 (2/1)
MONTREAL Portfolio	2212.61	2224.77	2014.13	2010.18	2224.77 (16/7)	1534.3 (2/1)

	July 17	July 16	July 15	July 14	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1975.4	1960.0	1934.2	1927.0	1975.4 (17/7)	1486.7 (2/2)
Metals & Min'ls (1/1/80)	1270.1	1254.4	1212.7	1207.7	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	205.96	198.41	191.93	189.02	230.60 (2/1)	182.21 (19/6)
BELGIUM						
Brussels SE (1/1/84)	(—)	5059.50	5011.90	5009.00	5059.50 (16/7)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	204.50	205.24	205.29	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	596.8	592.50	583.6	578.6	596.8 (17/7)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	413.80	415.80	(u)	(c)	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	104.90	105.80	(u)	(c)	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	646.33	642.19	634.69	633.99	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1960.70	1949.20	1951.20	1922.50	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
HangSeng Bank (31/7/64)	3342.13	3305.82	3262.30	3253.42	3342.13 (17/7)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	691.0	680.15	671.52	668.45	767.34 (30/4)	668.45 (14/7)
JAPAN**						
Nikkei (16/5/49)	23983.45	24003.61	23969.76	23931.53	25929.42 (17/6)	18544.0 (13.1)
Tokyo SE New (4/1/68)	1996.69	2004.23	1995.54	1998.76	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	319.80	317.30	316.10	313.00	319.80 (17/7)	257.7 (28/1)
ANP CBS Indust. (1970)	268.40	266.60	266.20	263.20	274.9 (5/1)	243.60 (11/6)
NORWAY						
Oslo SE (4/1/83)	458.49	455.61	449.53	447.22	458.49 (17/7)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1391.87	1380.71	1380.71	1352.50	1391.87 (17/7)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(—)	2278.0	2267.0	2212.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	(—)	2056.0	2040.0	2033.0	2056.0 (17/7)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	260.37	256.93	255.74	258.03	260.37 (17/7)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2885.50	2874.80	2865.20	2842.20	2885.50 (17/7)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Cp. (31/12/58)	645.2	634.1	632.50	628.20	645.2 (17/7)	564.5 (25/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(—)	464.40	462.3	459.3	480.30 (12/6)	361.3 (2/1)

**Saturday July 11: Nikkei Index: Closed.

Base values of all Indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
ATT	4,712,100	31⅝	−⅛
USX	3,087,300	38¾	+1⅛
Wstn. Co. Na.	2,876,900	3½	+¼
Coca Cola	2,791,400	47	+2
Pan Am Corp.	2,412,000	5	−½
Varity	2,396,500	2⅝	+⅛
Bancteras	2,210,800	11/128	—
Idaho Pwr.	2,205,300	23½	−⅜
Nabisco RJR	2,045,200	57⅝	+1¼
Kenner Pkr.	2,037,700	45⅝	+5½

Closing prices, July 17

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 33

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60¼	42½	WiscPL3.12		6.5	12	51	48¾	48¼	48¼	
31½	21⅛	WisPS s			12	376	23⅝	23¼	23¼	−⅛
47⅜	31⅛	Witco	1.12	2.7	14	449	41½	40⅞	41	+⅜
14	8⅛	WolvrW				158	12¾	12⅜	12½	
57¾	37	Wlwth s1.32		2.3	18	3924	57⅝	55¼	57¼	+1¾
161	108	Wolw pf2.20		1.4		2	160	160	160	+4
7¼	2	WrldCp				30	7⅛	7	7⅛	+⅛
19¾	14⅜	WrldVl n				101	19	18⅝	18¾	
54⅝	39⅛	Wrigly s1.04		1.9	20	143	53⅝	52¾	53⅝	+⅝
3⅞	1⅜	Wurltzr				25	2⅝	2½	2⅝	+⅛
18⅞	11	WyleLb .32		1.9	34	27	17	16⅞	16⅞	
24¾	16	Wynns .60		3.2	14	61	19⅛	18¾	19	
		X Y Z								
81¼	48⅝	Xerox	3	3.9	18	8182	76⅝	76	76½	+⅞
58¼	54¼	Xerox pf5.45		9.8		31	55½	55¼	55½	−¼
28⅞	21½	XTRA	.64	2.3		170	28¼	27⅜	28¼	−⅛
27⅞	15	Yorkin			13	282	27⅝	27½	27⅜	+¼
8¾	2¼	Zapata				3981u	7¼	6⅝	7	+¼
39	20¾	Zayre	.40	1.4	18	1114	29¼	28¼	29¼	−¼
14¾	9¾	Zemex	.40	3.0	8	31	13¼	12⅞	13¼	+¼
29¾	18⅞	ZenithE				1009	27	25¾	27	+⅛
13½	8	ZenLab				1276	10	9½	9½	−⅜
19½	12⅜	Zero	.36	2.1	17	207	17⅜	17⅛	17⅜	+⅛
28½	16⅜	Zurnin s			19	312	27¾	27¼	27⅜	−¼
10⅝	8¾	Zweig n.65e		6.5		964	10⅛	10	10	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices July 17

OVER-THE-COUNTER

Nasdaq national market, Closing prices, July 17

WE REGRET that this listing is incomplete due to communication problems.

Continued on Page 31

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar's bull run ignores bad trade figures

BY COLIN MILLHAM

FALLING INTEREST rate differentials between the US and Japan have so far failed to end the dollar's recent bull run, and there is also no sign that disappointing US statistics are doing too much harm.

Last week's US trade figures for May had little lasting impact on the dollar. After falling sharply Wednesday on news the trade deficit was $14.4bn, compared with expectations of about $13.2bn, the dollar recovered on Friday to its best levels since mid-March.

This was at least partly technical, with the dollar continuing its two-month upturn after about 1½ years of steady decline. To this extent the US currency is trading chart resistance points, but there also seemed a determination last week to read the best into some rather poor figures.

A high level of oil imports was regarded as a major reason for the rise in the May trade deficit. Oil prices have now climbed back above $20 a barrel, and Japan's Institute of Energy Economics has forecast the price could reach $30, if rising tension in the Gulf leads to a clash between the US and Iran.

This is all very speculative, but indicates the market's present view. At the same time it is hard to see why rising oil prices should benefit the dollar when the US is a large oil importer. The reason is that the US is also an oil producer, unlike Japan, which is expected to be even worse hit by any surge in oil prices.

The fact that oil is unlikely to suffer from any lasting shortage of supply, and that any explosive rise in prices will be short lived, is being ignored at present.

Another factor helping the dollar's recovery is the timing of various trade figures. Japan's June data were published before US May figures. Japan's trade surplus, including that with the US, declined in June, and with the Canadian surplus also falling, the market is prepared to believe there could be a significant cut in the June US deficit.

After the dollar's performance last week there is little reason to believe this week's economic news will have any more impact.

The most important figure is likely to be Friday's second quarter Gross National Product growth. The market appears to be expecting a figure of around 2 per cent, compared with 4.8 per cent in the first quarter.

Money Market Services is forecasting 3.4 per cent, but several other economic researchers believe even the 2 per cent figure to be optimistic.

Nomura Research Institute expects the growth rate to be almost flat, because of the slowdown in stock building. Kleinwort Grieveson Securities forecasts a flat GNP figure, and agrees this will be the result of swings in inventories.

Another important figure is Wednesday's June Consumer Price Index. Expectations centre on a monthly rise of 0.4 per cent, bringing the year-on-year inflation rate down to 3.7 per cent from 3.8 per cent.

If these figures fail to alter the dollar's direction there is also no sign interest rate trends are having too much impact at present. The yield differential between US and Japanese Government bonds was 5.25 per cent in late May, but has since fallen to around 4 per cent.

According to Nomura a differential of 5 per cent should keep the dollar at around Y145 to Y150, but Friday on it was above Y152. Interest rates and economic fundamentals suggest this trend cannot last.

£ IN NEW YORK

July 17	Close	Previous Close
£ Spot	1.6035-1.6045	1.6285-1.6295
1 month	0.34-0.32 pm	0.32-0.31 pm
3 months	0.90-0.87 pm	0.86-0.84 pm
12 months	2.70-2.60 pm	2.60-2.52 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 17	Previous
8.30 am	73.4	73.4
9.00 am	73.4	73.3
10.00 am	73.3	73.4
11.00 am	73.4	73.4
Noon	73.4	73.4
1.00 pm	73.4	73.3
2.00 pm	73.4	73.3
3.00 pm	73.2	73.4
4.00 pm	73.2	73.5

CURRENCY RATES

July 17	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.78157	0.694244
U.S. Dollar	5.5	1.2680	1.12190
Canadian $	7.90	*	1.47978
Austrian Sch.	4	16.4444	14.6139
Belgian Franc	7½	48.5653	43.0865
Danish Krone	7	8.87934	7.88975
Deutsche Mark	3.0	2.3415	2.07821
Neth. Guilder	4½	2.63621	2.33927
French Franc	9½	7.7971	6.91830
Italian Lira	11.5	N/A	1503.91
Japanese Yen	2½	192.55	170.921
Norway Krone	8	8.54265	7.58123
Spanish Peseta	—	160.531	142.481
Swedish Krona	7½	8.15020	7.23288
Swiss Franc	3.5	1.95148	1.73109
Greek Drach.	20½	177.003	156.707
Irish Punt	—	N/A	0.775649

*C$/SDR rate for July 16; 1.68519

CURRENCY MOVEMENTS

July 17	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.2	−20.5
U.S. Dollar	103.7	−3.6
Canadian Dollar	79.2	−9.4
Austrian Schilling	137.5	+10.2
Belgian Franc	99.8	−4.7
Danish Krone	91.8	+2.2
Deutsche Mark	146.5	+21.3
Swiss Franc	171.5	+21.9
Guilder	134.5	+14.2
French Franc	71.5	−12.9
Lira	47.1	−18.5
Yen	210.7	+56.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

July 17	£	$
Argentina	3.0370-3.0495	1.8830-1.8900
Australia	2.2760-2.2790	1.4075-1.4085
Brazil	72.5655-72.8220	44.9880-45.1330
Finland	7.2395-7.2520	4.4840-4.4870
Greece	224.60-228.50	138.30-140.70
Hong Kong	12.5820-12.5975	7.8080-7.8090
Iran	117.10*	72.00*
Korea (Sth)	1314.80-1326.70	804.50-811.10
Kuwait	0.45620-0.45670	0.28310-0.28320
Luxembourg	61.90-62.00	38.45-38.55
Malaysia	4.1105-4.1210	2.5465-2.5515
Mexico	2238.85-2241.15	1388.00-1389.00
N. Zealand	2.6655-2.6705	1.6480-1.6500
Saudi Ar.	6.0425-6.0475	3.7495-3.7505
Singapore	3.4175-3.4245	2.1220-2.1240
S. Af. (Cm)	3.3230-3.3390	2.0685-2.0725
S. Af. (Fn)	5.3010-5.4810	3.2785-3.3900
Taiwan	50.35-50.60	31.05-31.15
U.A.E.	5.9180-5.9235	3.6725-3.6735

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6085	1.6053	1.5998	1.5929	1.5818
D-mark	2.9900	2.9770	2.9524	2.9191	2.8526
French Fr.	9.9475	9.9355	9.9198	9.9097	9.9043
Swiss Fr.	2.4900	2.4787	2.4580	2.4287	2.3561
Yen	245.75	244.65	242.70	239.82	234.43

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0865	+1.48	+0.78	±1.5344
Danish Krone	7.85212	7.88975	+0.48	−0.22	±1.6404
German D-Mark	2.05853	2.07821	+0.96	+0.26	±1.0981
French Franc	6.90403	6.91830	+0.21	−0.49	±1.3674
Dutch Guilder	2.31943	2.33927	+0.86	+0.16	±1.5012
Irish Punt	0.768411	0.775649	+0.94	+0.24	±1.6684
Italian Lira	1483.58	1503.91	+1.37	+1.24	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 17	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.609	2.990	245.8	9.948	2.490	3.365	2162.	2.122	61.95
$	0.622	1.	1.859	152.8	6.185	1.548	2.092	1344.	1.319	38.50
DM	0.334	0.538	1.	82.19	3.327	0.833	1.125	723.1	0.710	20.72
YEN	4.069	6.545	12.17	1000.	40.48	10.13	13.69	8798.	8.635	252.1
F Fr.	1.005	1.617	3.006	247.0	10.	2.503	3.383	2173.	2.133	62.28
S Fr.	0.402	0.646	1.201	98.69	3.995	1.	1.351	868.3	0.852	24.88
H Fl.	0.297	0.478	0.889	73.03	2.956	0.740	1.	642.5	0.631	18.41
Lira	0.463	0.744	1.383	113.7	4.601	1.152	1.556	1000.	0.981	28.65
C $	0.471	0.758	1.409	115.8	4.688	1.173	1.586	1019.	1.	29.19
B Fr.	1.614	2.596	4.826	396.7	16.06	4.019	5.432	3490.	3.425	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

July 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8⅞-9⅛	8⅞-9⅛	9-9⅛	9-9 1/16	9-9 1/16	9¼-9⅜
U.S. Dollar	6⅜-6½	6 7/16-6 9/16	6⅝-6¾	6¾-6⅞	6 13/16-7 1/16	6¾-6⅞
Can. Dollar	8¼-8½	8¼-8½	8⅛-8⅜	8⅜-8⅝	8⅝-8⅞	8⅞-9⅛
D. Guilder	5-5⅛	5-5⅛	5⅛-5¼	5 3/16-5 5/16	5¼-5⅜	5¼-5⅜
Sw. Franc	1½-1¾	1⅜-1⅝	3 5/16-3 11/16	3¼-3⅜	3⅞-4	3 15/16-4 1/16
Deutschmark	3 11/16-3 13/16	3¼-3⅜	3 11/16-3 13/16	3 13/16-3 15/16	4 1/16-4 3/16	4⅛-4¼
Fr. Franc	6⅞-7	7¼-7⅜	7½-7⅝	7 13/16-7 15/16	8 3/16-8 5/16	8⅝-8¾
Italian Lire	9½-11½	10½-12	10⅝-10⅞	10⅝-10⅞	10⅝-11	11¼-11½
B. Fr. (Fin.)	6 3/16-6 7/16	6¼-6½	6⅜-6½	6½-6⅝	6¾-6⅞	7-7¼
B. Fr. (Con.)	6¼-6½	6⅜-6⅝	6⅜-6⅝	6⅜-6⅝	6½-6⅞	6⅞-7⅛
Yen	3½-3⅝	3⅝-3¾	3 13/16-3 15/16	4 1/16-4⅛	4 1/16-4 3/16	4⅛-4¼
D. Krone	9⅝-9⅞	9½-9⅞	9⅝-9 7/8	9⅞-10⅛	10⅝-11⅛	10¾-11¼
Asian $Sing	3½-3¾	N/A	3⅞-4	4 1/16-4 3/16	4⅜-4½	4⅝-4¾

Long-term Eurodollars: Two years 7¾-8 per cent; three years 8⅛-8½ per cent; four years 8½-8⅝ per cent; five years 8⅝-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

July 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6080-1.6250	1.6080-1.6090	0.34-0.31c pm	2.42	0.90-0.85 pm	2.18
Canada	2.1213-2.1437	2.1215-2.1225	0.15-0.05c pm	0.57	0.31-0.19 pm	0.47
Netherlands	3.36-3.37½	3.36-3.37	1¼-1c pm	4.01	3¼-3 pm	3.71
Belgium	61.90-62.15	61.90-62.00	18-13c pm	3.00	44-35 pm	2.55
Denmark	11.33¾-11.37¾	11.33¾-11.34¾	¼-1 ore dis	−0.66	2⅜-3⅛ dis	−0.97
Ireland	1.1140-1.1200	1.1165-1.1175	0.04-0.05p dis	−0.05	0.08pm-0.15 dis	−0.13
W. Germany	2.98½-2.99¼	2.98½-2.99½	1½-1¼pf pm	5.52	4-3⅝ pm	5.10
Portugal	231.20-234.02	231.20-232.15	104-154c dis	−6.68	374-457 dis	−7.17
Spain	204.62-205.76	204.80-205.10	123-175c dis	−8.72	354-422 dis	−7.57
Italy	2161½-2170½	2161½-2162½	2-4 lire dis	−1.67	7-10 dis	−1.57
Norway	10.88-10.94¼	10.88-10.89	4⅜-5 ore dis	−5.17	13½-14⅛ dis	−5.08
France	9.94¼-9.98	9.94¾-9.95¾	1½-1c pm	1.43	3⅛-2¾ pm	1.08
Sweden	10.37¾-10.44½	10.37¾-10.38¾	¼-½ ore pm	0.72	¾-¼ dis	0.19
Japan	245¼-247	245¾-246¾	1¼-1 y pm	5.49	3¼-2⅞ pm	4.98
Austria	20.86-21.06	20.86-20.89	9½-8 gro pm	5.03	26-24 pm	4.79
Switzerland	2.48½-2.49¾	2.48½-2.49½	1¼-1 c pm	5.42	3⅞-3⅛ pm	5.22

Belgian rate is for convertible francs. Financial franc 62.10-62.20. Six-month forward dollar 1.59-1.54 c pm. 12-month 2.72-2.62c pm.

Correction for July 15 US Spread 1.6110-1.6355

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6080-1.6250	1.6080-1.6090	0.34-0.31c pm	2.42	0.90-0.85 pm	2.18
Ireland†	1.4425-1.4541	1.4425-1.4435	0.31-0.26c pm	2.36	0.97-0.85 pm	2.51
Canada	1.3165-1.3200	1.3180-1.3190	0.19-0.22c dis	−1.86	0.55-0.58 dis	−1.71
Netherlands	2.0735-2.0920	2.0910-2.0920	0.26-0.23c pm	1.41	0.84-0.79 pm	1.57
Belgium	38.18-38.55	38.45-38.55	2½-½c pm	0.47	6-2 pm	0.42
Denmark	6.99¼-7.05¼	7.05-7.05½	1.15-1.85ore dis	−2.57	4.90-5.60 dis	−3.00
W. Germany	1.8410-1.8590	1.8580-1.8590	0.46-0.43pf pm	2.89	1.40-1.35pm	2.98
Portugal	144-144¾	144½-144¾	90-120c dis	−8.74	300-350 dis	−9.02
Spain	126.45-127.10	127.00-127.10	100-150c dis	−11.84	300-350 dis	−10.26
Italy	1333-1345	1343¼-1344¼	3.80-4.80lire dis	−3.86	11.00-14.00dis	−3.74
Norway	6.73-6.77	6.76½-6.77	3.95-4.45ore dis	−7.47	11.90-12.40dis	−7.21
France	6.16-6.18¼	6.18¼-6.18¾	0.40-0.60c dis	−0.98	1.50-1.80 dis	−1.07
Sweden	6.42-6.46¼	6.45¼-6.45¾	0.80-1.10ore dis	−1.77	2.85-3.25 dis	−1.90
Japan	151.35-152.85	152.70-152.80	0.39-0.36y pm	2.96	1.09-1.05 pm	2.87
Austria	12.95¼-13.02½	13.02-13.02½	3.10-2.70gro pm	2.68	9.00—8.00pm	2.62
Switzerland	1.5340-1.5485	1.5470-1.5480	0.41-0.37c pm	3.04	1.18-1.13 pm	3.00

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.60-38.70

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
116	8.58	9.09	0.00	0.23
118	6.59	7.26	0.01	0.40
120	5.00	5.53	0.06	1.03
122	3.18	4.28	0.24	1.42
124	1.48	3.18	0.54	2.32
126	0.52	2.19	1.58	3.33
128	0.19	1.38	3.25	4.52
130	0.08	1.03	5.14	6.17

Estimated volume total, Calls 1,672 Puts 807
Previous day's open int: Calls 26,999 Puts 16,852

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	8.17	7.41	0.01	0.23
86	6.22	5.62	0.06	0.44
88	4.34	4.31	0.18	1.13
90	2.52	3.15	0.36	1.61
92	1.20	2.15	1.04	2.61
94	0.32	1.30	2.16	4.12
96	0.11	0.59	3.59	5.41
98	0.03	0.35	5.51	7.17

Estimated volume total, Calls 20 Puts 31
Previous day's open int: Calls 1,707 Puts 987

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last July	Calls—Last Aug.	Puts—Last July	Puts—Last Aug.
23250	12.92	13.95	0.02	1.05
23500	10.47	11.93	0.07	1.53
23750	8.11	10.05	0.21	2.15
24000	5.92	8.34	0.52	2.94
24250	4.02	6.80	1.12	3.90
24500	2.50	5.45	2.10	5.05
24750	1.41	4.29	3.51	6.39
25000	0.71	3.32	5.31	7.92

Estimated volume total, Calls 32 Puts 0
Previous day's open int: Calls 178 Puts 186

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

[illegible]	

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]	

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]	

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

[illegible]	

LONDON

20-YEAR 12% NOTIONAL GILT

[illegible]	

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

[illegible]	

THREE-MONTH STERLING £500,000 points of 100%

[illegible]	

FT-SE 100 INDEX £25 per full index point

[illegible]	

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]	

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]	

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]	

JAPANESE YEN (IMM) Y12.5m $ per Y100

[illegible]	

DEUTSCHE MARK (IMM) DM125,000 $ per DM

[illegible]	

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]	

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]	

SWISS FRANC (IMM) SFr 125,000 $ per SFr

[illegible]	

STANDARD & POORS 500 INDEX $500 times index

[illegible]	

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6310	1.6280	1.6227	1.6161	1.6049

IMM—STERLING $s per £

	Close	High	Low	Prev
Sept.	1.5945	1.6135	1.5935	1.6250
Dec.	1.5865	1.6070	1.5835	1.6170
Mar.	1.5820	1.5900	1.5860	1.6125
June	1.5775	—	1.5880	1.6075

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.6072	1.6103	1.6068	1.6253
Dec.	1.5994	—	—	1.6180
Mar.	1.5934	—	—	1.6122

Estimated volume 103 (2)
Previous day's open int 835 (834)

MONEY MARKETS

Varying forecasts on UK trade

INTERVENTION by the Bank of England kept sterling below DM 3.00 last week, as dealers found renewed attraction in the pound, because of rising oil prices.

Economic news had little impact. The repayment of £800m in the June UK Public Sector Borrowing Requirement was below the average market forecast of £1bn, but June unemployment and May average earnings were in line with expectations.

May UK trade figures, delayed by industrial action at the Customs and Excise computer centre, are expected Wednesday. The dispute should not cause any distortions.

A survey by Money Market Services suggests a trade deficit of £600m, and after invisible earnings the current account would then be roughly in balance. County NatWest Gilt-Edged Securities expects a deficit of £650m and a payments short-fall of £50m.

Greenwell Montagu Research forecasts a trade deficit of £1,050m, because of a sharp rise in the non-oil deficit, and a current account deficit of £350m, but James Capel expects a current account surplus of £150m, thanks to a rise in manufacturing output and an increase in the US deficit with the UK. Morgan Grenfell forecasts a small payments surplus of £83m.

Today's June money supply figures are expected to show growth in sterling M3 of 1 per cent, according to a survey by MMS. County NatWest has revised its forecast down to 1.25 per cent, from 2 per cent, after reserve figures indicated Bank of England support for sterling after last month's election. Bank lending should remain buoyant, rising above £2.5bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 17) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 11/16	offer 6 13/16	bid 6 15/16	offer 7 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]	

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]	

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4 pm)

[illegible]	

LONDON MONEY RATES

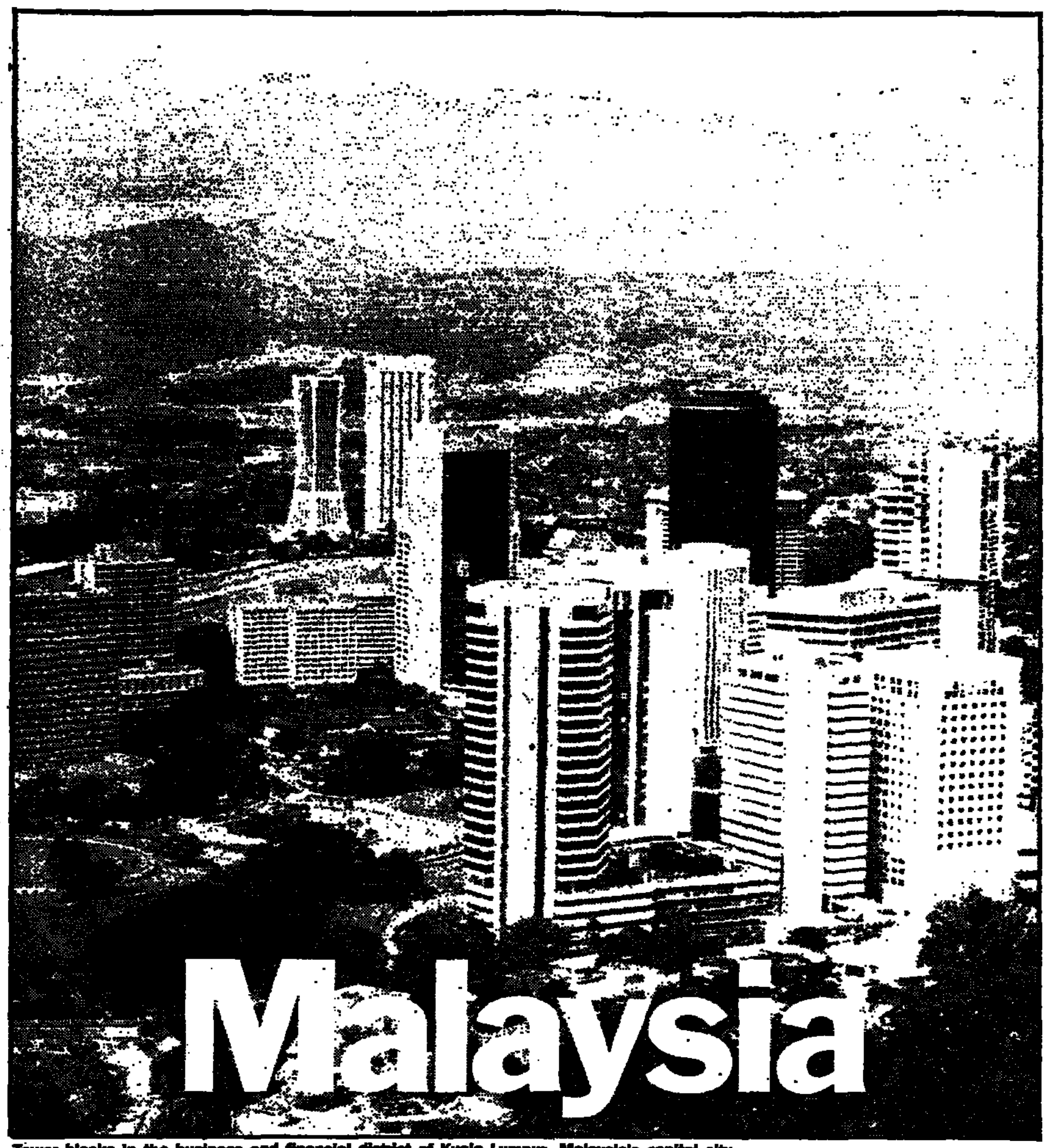
[illegible]	

SECTION III

FINANCIAL TIMES SURVEY

Dr Mahathir Mohamad, who visits the UK this week, is prime minister of a country which is rich in natural resources and in diversity. It has had to contend of late, however, with the effects of lower world prices for its commodities and potentially serious political divisions at home. Roger Matthews, South East Asia correspondent reports

Obstacles to success rise



Tower blocks in the business and financial district of Kuala Lumpur, Malaysia's capital city

IF MALAYSIA LTD had been floated on the world stock exchange a few years ago the prospectus would have made attractive reading and the offer oversubscribed many times. Surveys, such as this, could scarcely have been more supportive to the underwriters' cause. They tended to wax lyrical about a land almost literally flowing with milk and honey, a near Utopia garlanded by frangipani and hibiscus.

The presumably more sober language of the prospectus would have emphasised the richness of Malaysia's natural resources, the buoyancy of its commodities exports, the development of the oil sector, and the strengthening of its manufacturing base. It would also have mentioned political factors such as the manageable size of the population, the capacity of its racial groups to live alongside each other, the solidity of its Westminster-model parliamentary system, and its relative freedom from external threats.

But, had it sought greater balance, it might have explained more fully the characteristics of Malaysia's racial and religious composition. About 50 per cent are Malay Bumiputras (literally the "sons of the soil"); roughly 33 per cent Chinese and nearly 10 per cent Indian. They are Moslems, Hindus, Buddhists, Confucians, and Christians. They might speak Malay, one of several Chinese dialects, Tamil or English. The Bumiputras, traditionally a rural people, hold political power. The Chinese, mainly city dwellers, have the greater financial and commercial weight. The two communities clashed briefly, but violently, in 1960.

Malaysia is also a physically divided country. Peninsular Malaysia, in which sits the capital Kuala Lumpur, is just a little smaller than England and Wales. But it is separated by 400 miles of the South China Sea from East Malaysia, the two states of Sabah and Sarawak, which together are larger than Great Britain.

Overall, however, Malaysia has been one of the great post-colonial success stories with a still strong economy and a functioning democracy. It is genuinely non-aligned but retains good relations with the superpowers. It is still—if a little scratchily—a member of the Commonwealth and belongs to the Islamic Conference Organisation, which it helped to found.

Yet the international and domestic self-assurance this should generate is difficult to discover in today's Kuala Lumpur. The world recession and the collapse of commodity prices which caused the economy to contract in 1985 was a serious blow to the self-confidence derived from a decade of regular 7-8 per cent growth.

A succession of financial failures, frauds and mismanagements raised doubts about the solidity and administration of the banking sector. Land values, on which paper fortunes had been made, suddenly plummeted leaving buildings half-completed and half empty. The fast growing middle class found its disposable income reduced and unemployment figures, especially among new graduates, began to climb more steeply.

The pressures revealed fissures in the political system, not least in the now not so aptly named United Malays National Organisation which has dominated every government since independence. It degenerated into an open split earlier this week with Dr Mahathir Mohamad, the Prime Minister, only very narrowly holding off a determined effort to remove him from the leadership of the party. And this just seven months after Dr Mahathir had led UMNO to a convincing victory at the general election.

Although Malaysia is beginning slowly to climb out of the recession the appreciation that it will be a lengthy process has raised issues which are fundamental to the country and may possibly only be satisfactorily resolved in an atmosphere of political harmony both within UMNO and between UMNO and its coalition partners in the ruling National Front.

The issues are closely related: first, the future of the New Economic Policy which in 1971 set a 20-year target for the more equitable distribution of wealth between the Bumiputra and non-Bumiputra communities, and second, the overall handling of the economy, in particular the niche it should seek for itself among the developing and newly-industrialised countries.

The essence of the NEP was the laudable one of seeking to reduce, if possible eliminate, the identification of race with economic function. The aim was to ensure that at least 30 per cent of corporate equity was owned by Bumiputras by 1990, 40 per cent by other Malaysians and not more than 30 per cent by foreigners. At the start of the programme Bumiputras owned just 1 per cent of equities, and provided less than 6 per cent of the country's professionals.

It was not to be a case of robbing Peter to pay Paul. The increase in the Bumiputra participation in the economy would come from a fairer share of the new wealth created through increases in the country's GNP. There was also to be positive discrimination in favour of Bumiputras in certain jobs, education and housing. The real problems arose when there was little or no growth in the economy and this was coupled with rising unemployment. They were exacerbated by the split within the party which represents those interests, with both sides seeking additional support from their constituents.

Dr Mahathir said during the course of an interview that because there was no growth in the economy that part of the NEP which sets targets for Bumiputra equity participation was obviously in abeyance. It currently stood at 18 per cent and could not possibly reach 30 per cent by 1990. He thought perhaps target dates should be dropped in favour of a less time-sensitive statement of intent. Ghafar Baba, his deputy, had only a few days previously speculated publicly that a 50-50 share should be the target. Mr Daim Zainuddin, the Finance Minister, subsequently said in Parliament that the NEP was fine and urged everyone to stop talking about reforming it.

But, however much the Government wishes the issue would go away, the private sector seems unlikely to co-operate. This would have mattered a great deal less in the late Seventies and early Eighties when the Government, flush with cash and foreign borrowings, provided most of the country's new investment. Today, as it continues to tighten its belt and seeks to reduce its budget deficit, it is the private sector which is expected to be the main motor of growth. "But would you invest, commit large sums of your capital to a company which in a few years' time you might not fully control or even own," said a banker, referring to the deputy Prime Minister's suggestion of 50-50 Bumiputra corporate ownership. "Most people in the private sector will need to be rather more confident of the future than that, especially with financially more interesting investment opportunities abroad."

The measures the Government has taken to attract foreign investment should equally be applied to Malaysian investors, prominent members of the private sector argue. "We want elements of the NEP to continue but they should concentrate more on the professional and educational aspects of Bumiputra development. That way the Bumiputra community will grow with the economy. The alternative is little growth and less wealth to share, which will not advance the Bumiputras in the least."

Some members of the Government, including the Prime Minister, tend to view such arguments as yet more special pleading. "Businessmen everywhere complain," said Dr Mahathir. "Literally what they are asking for is total deregulation, but you know, when you have deregulation, that is when they ask for regulation." He said he wanted the private sector to be free, but to be free it had to control itself.

He rejects no less emphatically the criticism of his Government's decision to invest heavily in large scale industrial and infrastructure projects, which some of his opponents viewed as an ill-fated attempt to follow the inappropriate examples of South Korea and Taiwan. But Dr Mahathir also concedes that the Government has failed to make several of them profitable and will eventually be prepared to turn them over to the private sector. Whether he will find any buyers is another matter.

Politically, it would seem almost impossible to take the toughest of decisions and shut down the least viable. Investments such as that in the Proton Saga car plant were ultimately more than an industrial or commercial decision. They were intended to be, and are, a symbol of Malaysian, and more particularly Bumiputra advance-

Continued on Page 12

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• Pictures by Terry Kirk and David Hayes

Political tensions within the United Malays National Organisation

New moves to restore party unity

FOR THE PAST 12 months Malaysian politics has been about the United Malays National Organisation and very little else. It may be one of 13 parties which make up the ruling National Front, but it is also the party which has dominated the country since independence, has provided each of its four Prime Ministers, and expects to provide the next four after that.

UMNO is much more than the natural party of government. Insofar as it is possible within a parliamentary democracy, UMNO is the institutionalised party of government. Its number of seats in Parliament may vary, its proportion of the national vote may rise or fall, but few voters in Malaysia would happily contemplate its replacement.

For much of its existence UMNO has played a paternalistic role, representing the aspirations of the Bumiputras yet co-existing reasonably comfortably with those parties within the coalition which promoted the views of the Chinese and Indian communities. Within UMNO itself the leadership tended to the patrician. The membership was generally respectful and business was done with an eye to consensus, oiled where necessary by the dispensation of patronage.

Generally the system worked, perhaps not always very dynamically but the party maintained a high degree of cohesion and survived both the early tensions of independence and the riots of 1969. When the leadership changed it did so politely and was arranged out of public view.

It is against that background that the challenge in April to Dr Mahathir, president of UMNO and thus Prime Minister, was launched. Although there had been token opposition to previous presidents, the party had never witnessed, nor probably contemplated, a full-blooded, gloves off struggle for the leadership.

It also spotlighted the uncomfortable fact that UMNO elections matter a great deal more than general elections. The electorate, or more precisely the Bumiputra part of it, had only a few months before reaffirmed its faith in UMNO. Under Dr Mahathir's leadership it won 83 out of 84 seats it contested nationally, and 228 out of 240 seats at state level.

The general election was, in the national context, a triumph for Dr Mahathir, and once again tempted the analysts into confident predictions. Those who thought Dr Mahathir would do badly in the general election now believed that he had totally secured his position within the party.

However, in Malaysia the electorate may propose, but it is certainly UMNO which disposes. And within six months it had come very close to choosing a new leadership. The seeds had been sown in February 1986 when Musa Hitam, deputy president of the party, deputy Prime Minister and Minister for Home Affairs, brought out into the open his rift with Dr Mahathir by resigning his portfolios.

He was subsequently persuaded to remain as deputy president of UMNO, a post which his supporters rightly identified as being more important than a seat in the government. The UMNO tradition is for deputy presidents to become Prime Ministers.

"All Musa had to do was go to sleep for a few years and he could have woken up in the top job," commented one of Dr Mahathir's closest aides just before the party vote.

Instead Musa, who claimed he had been shut out of government decisions, formed what seemed intially to be an unlikely alliance with his long time rival Tunku Razaleigh Hamzah, the respected Minister for Trade and Industry. Razaleigh was to challenge for the presidency, Musa to defend his deputy presidency against Ghafar Baba, his replacement as deputy Prime Minister.

The intensity of the struggle between what was known popularly as the "A" and the "B" team forced the party to take sides and eventually divided it almost exactly down the middle.

Mahathir and Ghafar squeaked home by majorities of 43 and 40 votes respectively out of a total of 1,479. What would have seemed to be an intolerably narrow margin of authority for older style UMNO members was hailed as an endorsement by the victors. At the same time Mahathir supporters established a comfortable majority in the party's Supreme Council and the man many people believe to be the Prime Minister's chosen successor, Anwar Ibrahim, was elected as one of the party's three vice-presidents.

As the delegates gathered for the final speeches and voting, the air had been thick with appeals for unity, for the wounds to be bound once the decision was made. It was either that or a period of attrition, during which the losers and their supporters would be consigned to the political wilderness.

Dr Mahathir says that he wishes to restore the unity of UMNO and would like to be conciliatory. He does not believe that the party should have to go through a similar experience again. His opponents, however, are unconvinced. The principal ones resigned their government positions after the defeat, others were sacked, and others say they are planning to keep a low profile in the months ahead.

But there are also suspicions that the victorious "A" team will not be securing harmony in the party through offering the olive branch, but rather through progressively weeding out known, or suspected, disloyal elements.

"Mahathir and his men are going to make very sure that there is no repeat of this April," said one experienced diplomatic observer. "They are well aware what was being planned for them if they had lost."

If that assessment is correct then UMNO faces a difficult future. Dr Mahathir's opponents are too numerous to purge without considerable bitterness. Equally they came so close to victory in April that the platform exists for a renewed challenge in three years time, although any element of surprise will have been lost.

Clerks tallying up ballots during the general election. The United Malays National Organisation is only one of 13 parties which make up the ruling National Front, but the UMNO is the institutionalised party of government

"The very sad thing about the bitterness of the contest is that the country has lost a number of its most skilled politicians and able administrators," commented a leading businessman. "The pool of ministerial talent within UMNO is not so great that it can easily afford such a loss. There are people now in the Cabinet who owe their position more to their loyalty than to their ability."

However, others argue that the election stimulated real debate within UMNO for the first time in many years. "They were actually discussing the issues that affect the country. It was not just the usual ethnic debate. People have become more aware of the role of government, of mismanagement in government, the industrialisation issue and a range of other topics which must be a healthy thing in an evolving democracy," said another businessman.

But he also feared that the competition for support within UMNO could lead to a political auction, with each faction seeking to outbid the other in the promises they would make to the Bumiputras. "At a time of low growth that would be a very alarming development for the country as a whole," he added.

The concern which he voiced is shared by the other main parties within the National Front—the Malaysian Chinese Association (which has been having its own domestic difficulties), Gerakan, predominantly Chinese but seeking membership from all ethnic groups, and the Malaysian Indian Congress.

The opposition Democratic Action Party (multi-racial in aim, but still largely Chinese) which made some progress at the last general election, fears that the UMNO divisions will increase the politics of race instead of concentrating on the main issue of nation building.

"We do not oppose the objectives of the New Eoconomic Policy but we do oppose the results," said a party spokesman. "The Malays should play the greater political role but it should not be one-way traffic. It should not create greater inequalities. The government has to find a way to accommodate that large section of the population which is disaffected by its policies."

The best way to achieve that, according to the other main opposition party, the Pan Malaysian Islamic Party (PAS), is through the creation of a gennineiy Islamic state in which all races would live in equality and harmony. Despite its lamentable showing at the last election, when it secured only one seat in Parliament, PAS asserts that it is the only possible alternative to UMNO.

"Our real fight is with them. We are appealing to all races in Malaysia for their support. UMNO has absolute power and it has corrupted absolutely. They have developed a feudal mind," said a member of its central committee.

"The way forward for Malaysia is not through malpractices, nepotism, favouritism and corruption, it is through real Islamic justice which applies equally to all people. We may not be able to create an Islamic state at the next election but the trend will certainly be towards Islamic government. The government has been trying to steal some of our clothes, but the people will realise they are being cheated by these non-practising Moslems." There is some evidence of an Islamic drift at the higher levels of UMNO, although it could as easily reflect political pragmatism as a growth in religious sentiment. All three party vice-presidents have Islamic backgrounds but most attenion is concentrated on Anwar Ibrahim who in his earlier career developed a reputation for using religion as a political tool.

The danger perceived by other politicians is that during a period of intra-UMNO stress the competing factions will seek to use all the weapons in their armoury regardless of the longer-term impact on the country.

Perhaps the most encouraging aspect of the past 12 months is that this has not happened and, despite the ending of one tradition, UMNO has remained more or less faithful to an important part of its past.

Roger Matthews

In the national context, the general election was a triumph for Dr Mahathir

Profile: Dr Mahathir Mohamad

A man in a hurry

DR MAHATHIR MOHAMAD, Malaysia's Prime Minister, has always been a controversial politician and would not have it any other way. His approach to politics was perhaps best summed up in the concluding paragraph of the introduction to his once-banned book, The Malay Dilemma. He wrote: "The publication of this book is not calculated to endear the writer to any particular section of Malaysians. Indeed, it is most likely to cause despondency among some, and severe resentment among most others. No apologies are offered. What I have written is written with sincerity." And so it has continued: the controversey, no apologies, and the sincere pursuit of what he has described as "an orderly, creative revolution" to raise the sights, standards and prosperity of the indigenous Malay population.

Time has always been the enemy. Writing his book soon after the 1969 communal riots Dr Mahathir concluded that revolution, not evolution, had to be the goal. Evolution, the more traditionally Malay quality, "depended far too much on circumstances and a multitude of factors difficult to detect and therefore difficult to utilise and control."

When Dr Mahathir became Prime Minister in 1981 few people doubted that he would be a man in a hurry. One Western commentator concluded that "Malaysia may have got the dynamic leader to match its dynamic potential." Certainly there was plenty of action. Malaysia borrowed heavily from abroad to finance major industrialisation schemes, it looked East rather than West, it shook up the special relationship that had existed with Britain, it attempted to establish a tin cartel to push up prices, it declared war on corruption at home and through a series of measures sought to accelerate the progress of the Malays.

Dr Mahathir's opponents—and he has no few of them—look at that list and conclude that in almost all categories the Prime Minister has failed. They argue that he was in too much of a hurry, that he ignored professional advice, took decisions on issues he only partially understood and as criticism mounted sought refuge in an ever decreasinng circle of political friends. The inevitable result, they say, was the unprecedented challenge to his leadership which was mounted in April.

How Dr Mahathir will react in the longer term to that almost successful challenge is difficult to assess. He stresses the need to re-establish party unity, but is unlikely easily to forgive those who mounted it. He does not belive that a developing country such as Malaysia can afford the luxury of leadership which has continually to look over its shoulder at a divided ruling party, but as a doctor may be debating whether healing ointments or surgery offer the better solution. Whichever option, or combination, that Dr Mahathir chooses, he emphasised that he is a fighter who will not give up easily.

Talking to the Prime Minister in his office in the Parliament building offered flashes of some of the qualities with which he is credited. Irritation at being asked, yet again, about policies he thought he had explained, sensitivity to a perceived lack of foreign understanding; a conviction that many of his critical decisions affecting the economy had been correct; a hint of disappointment that others have failed fully to respond to his vision; and perhaps that touch of weariness which follows a bruising political battle. A mellowed Dr Mahathir with half an eye on retirement, or a Prime Minister catching his breath before resuming the march forward? Probably the latter, but whichever way it will not be dull.

Roger Matthews

Economic scene

More signs of optimism now

THE FIRST stirrings of reawakened economic optimism are being felt in Malaysia this summer, although little of it appears yet to have percolated down to the majority of the population, still shocked by the suddenness and depth of the 1985-86 recession.

Whatever the statistics may begin to show, the scepticism created by the retraction in the economy will be slow to disperse, especially with unemployment nudging 10 per cent, consumption flat and land values heavily depressed.

During the past few months, forecasters have been gradually revising upwards their growth estimates for the year. Bank Negara opened in April with a cautious 1.5 per cent figure, the Malaysian Institute of Economic Research (MIER) has followed with 2.4 per cent, while Merrill Lynch remains ahead of the field with a bullish 3.2 per cent. Mr Daim Zainuddin, the Finance Minister, said in a recent interview that he was confident that the economy would grow this year by 2 per cent.

Much depends on the continued improvement of the commodities sector and the extent to which higher export prices will feed through into the rest of the economy and thereby encourage investor confidence, particularly in the private sector. MIER is anticipating a 21 per cent reduction in public investment during 1987, leaving a huge amount of slack for the private sector to take up.

Government officials express confidence that the measures taken in the past 12 months to stimulate private sector investment will lead to an increase of 4-5 per cent in the current year, a view not fully shared by much of the country's business community. It would like both additional deregulation and greater reassurances on the targets to be set for the racial ownership of corporate equity following the review of the New Economic Policy which has to be completed by 1990.

Certainly the outlook for commodities prices is better than it has been for some time. The Organisation of Petroleum Exporting Countries has enjoyed some success in holding to its target price of $18 a barrel and palm oil has also recovered well. Together with more modest increases in other commodities, export receipts and the balance of payments are looking much healthier than the government forecast last autumn. This has in turn helped to bring interest rates down and steady the currency. All the indications are for a current account surplus this year for the first time since 1979.

At the same time Malaysia has benefitted from a sharp rise in foreign portfolio share investment which has been largely responsible for the over 100 per cent increase in the Kuala Lumpur Stock Exchange industrial composite index in the past 12 months. Rather more problematical is the much sought after increase in direct foreign investment, particularly in manufacturing.

The government appears confident that Malaysia will be a major beneficiary in the years ahead as countries such as Japan, South Korea and Taiwan seek a lower-cost manufacturing base. However, as MIER recently commented: "Although it has been reported that funds have been flowing into the country to boost the private sector, there were no significant signs of recovery in real private investment even after the landslide victory of the Barisan National Government."

For many members of the business community it is the decline in public sector investment coupled with the apparent reluctance of the private sector to respond significantly to either political or other stimuli which causes the most concern in the short and medium term. "Commodity price fluctuations are something which every primary producer has to live with. They may come as a shock when they fall as rapidly as they did over the past couple of years," commented a banker, "but nonetheless they are a fact of life and our capacity to influence such movements is necessarily limited. The same is not true of investment in which government decisions and attitudes play a major role."

He was referring to the very large increase in public sector gross capital formation during the late 1970s and early 1980s when the government borrowed heavily from abroad to finance major industrial and infrastructure projects. Dr Mahathir Mohammad, the Prime Minister, is unrepentant about the government's policies although he is now prepared to concede that the private sector may have to be given the task of turning some of the Non-Financial Public Enterprises into profitable industries. Until that happens—and some industrialists question their long-term viability—the government's capacity to undertake fresh investment is further reduced.

There would be less cause for concern if private gross capital formation had not been virtually stagnant for the past five years. Last year it was actually below the level recorded in 1980 and the Treasury is predicting a further fall this year. Without the cushioning effects of buoyant commodity prices the private sector fears that it can make little contribution to absorbing young people seeking employment for the first time, a problem which is exacerbated by the government's efforts to reduce its own budget deficit.

Unemployment has been rising steadily for the last four years, from 4.7 per cent of the workforce in 1982 to 8.7 per cent last year. MIER, which in October forecast that unemployment would reach 9.6 per cent in 1987, has recently revised that figure upwards to 10 per cent and is anticipating a further rise to 10.6 per cent the following year.

It identifies the primary reason for this trend as companies trimming their workforces and the absence of new hirings in the expectation of continued low growth prospects in the economy.

"The most critical issue from the political point of view is graduate unemployment which is expected to turn out more unfavourably than is acknowledged at present," says MIER. "Our estimates, based on the growth forecast and the rate of labour absorption, put the graduate unemployment level at 46,070 in 1987 and 49,633 in 1988."

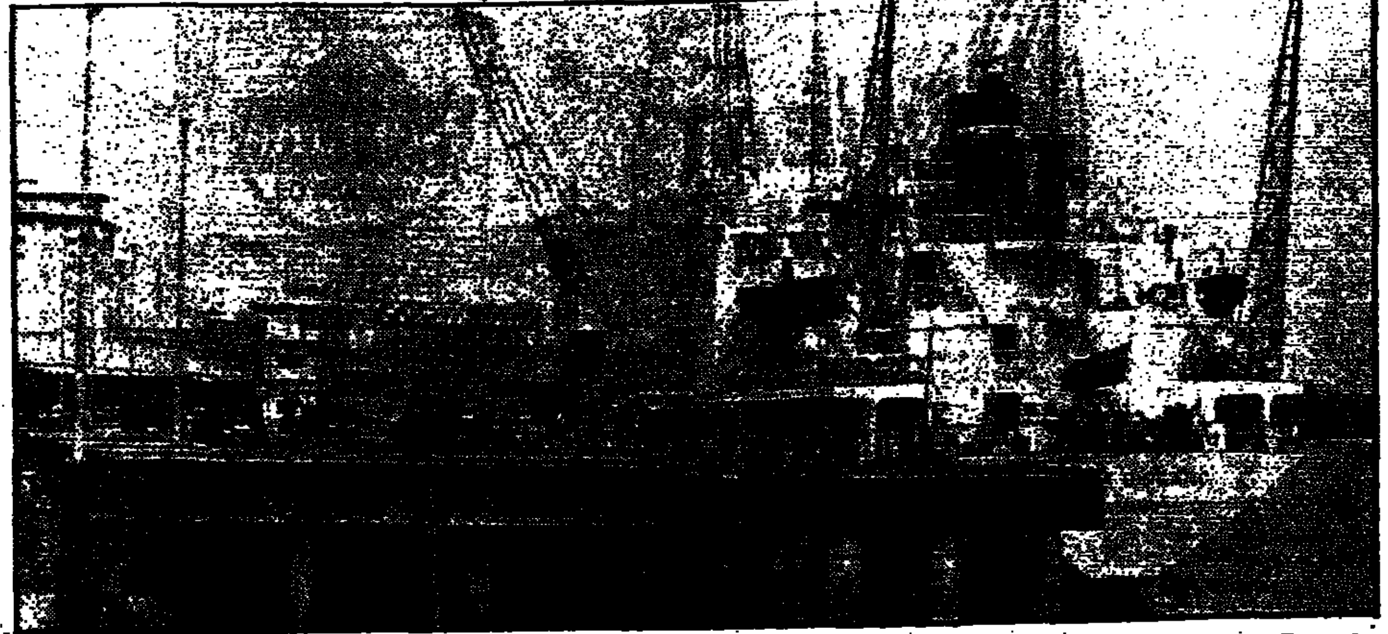
One consequence of this has been to depress dramatically the expected starting salary levels for graduates entering the private sector which could in its turn assist the government in its own efforts to reduce public sector costs. A banker said that he could today employ a newly-qualified accountant for about 500 ringgit a month, compared with three times that figure before the recession and had heard of cases where existing graduate staff were having to accept sharply lower salary levels.

Although this could have political implications, it must also assist Malaysia to reverse the earlier trend of rising wages, virtually nil inflation and little or no productivity gains. With the country expecting to enter a period of increasing competition with the newly industrialised countries of Asia, for both export markets and foreign investment, it is clearly going to be vital for it to maintain tight controls on wages and start matching some of the productivity gains demonstrated elsewhere in Asia.

According to those Malaysians arguing for more radical changes to the New Economic Policy, these factors make it all the more imperative to undertake additional reforms in the months ahead. They point to several positive factors which provide a sound base for economic expansion but which cannot be fully exploited under the present official constraints. In particular they stress the improvement in the balance of payments, strong foreign reserves which at the end of 1986 stood at US$6bn (the equivalent of nearly seven months' imports), low inflation, a savings level which has stood up well to the decline in incomes and an inflation level which is unlikely to rise above 2 per cent in the next 18 months.

The government believes that with these fundamentals, and the range of incentives it has introduced, there is no reason why the economy should not enter a period of sustained and more broadly based growth. The private sector responds that while forced restructuring of the economy in favour of the Bumiputra population is a central plank of official policy, investment confidence, both domestically and externally, will remain at a low level. And that is a political issue which goes to the heart of the Malaysian dilemma.

Roger Matthews



" No country can grow rich all by itself, not even America," says Dr Mahathir Mohamad. Malaysia is a stable country offering good benefits to overseas investors, he adds. Above: (left) integrated circuits are assembled for export at the National Semiconductor plant at Penang. Right: commodity goods being loaded at Port Kelang

Dr Mahathir Mohamad, the Prime Minister of Malaysia, answers questions put to him by Roger Matthews

Big drive to attract more foreign investors

QUESTION: What are your hopes for your first official visit to Britain—and what comment have you to make about relations with the UK?

My visit will cover quite a number of areas, particularly bilateral and economic relations. There will be a strong emphasis on economic matters. Of course, we are also interested in Britain's perception of the international situation—economically and politically. We hope that as a result of the visit that relations between Britain and Malaysia will improve and become more mutually beneficial.

I think that we have very few problems now with the British Government. Our main problem is really the apparent lack of understanding on the part of the British as a whole about Malaysia. I think that this needs to be corrected because, if not, it becomes a constant cause of irritation which is not good for our relations.

We perceive the British as being unduly critical of Malaysia, its economy and politics, forgetting, it would seem to me, that this is not Britain. Malaysia is a developing country. It has problems which are partly the result of having been a British colony. We have a multi-racial population and that requires careful handling. Any tilt to one side or the other, or any encouragement for such a tilt, will just make things difficult for us.

Britain has no experience of having half its population of a different ethnic group. You are only now beginning to experience this, but still only a minute fraction of Britain is made up of unassimulable immigrants. Already you are finding problems. Just imagine how big a problem it would be if 50 per cent of Britain's population was made up of Pakistanis, Indians and Bangladeshis, all of them claiming the right to retain their own language, not to speak English etc, etc.

These are problems which we expect Britain to understand, because it was partly created by Britain during the colonial days. Instead, we find that there seems to be a lack of understanding and this aggravates the situation. So perhaps understanding is one of the major things that we need.

Malaysia's Buy British last campaign.

This ended a long time ago. We ended it because Mrs Thatcher appeared quite sincere in her desire to correct the problems which caused this thing in the first place. So there is no question of Buy British last now. But, of course, some people do not believe it simply because they are not competitive enough. Not buying British last does not mean we are going to buy British first. It simply means that you have to compete and if you lose in the competition then that's it.

Foreign policy and Malaysia's "Look East" emphasis.

When we said Look East we did not say stop looking West, but nobody seemed to notice that. We do look West, but there are certain things which we think we can learn from the East. What we are talking about is learning the work ethics of the Japanese, the Koreans and the Taiwanese.

Learning their management styles and new technologies that they are introducing. Learning about their dedication, their nationalism and about their desire to compete with the West and beat the West at their own game. If you are going to succeed you must follow the winner and it seems to us that the Japanese are winning hands down.

You can see that from the cars in Malaysia. We used to buy Morris, Austin and Wolsley. They have all disappeared. Britain seems to be getting out of car manufacturing as far as we can see. This does not mean that we are favouring the East. If those countries win contracts here it is because they are more competitive.

The threat of protectionism, particularly from the US.

I am worried about this because we believe that the world is interdependent. No country can grow rich all by itself, not even America. It is interaction which will bring richness to America. It is not true to say that America is helping other countries to be rich and those other countries are not helping America. I think Malaysia is helping America. We give them business, we pay money to them.

It is only fair that we should trade with America, authough we cannot balance our trade with all countries.

The Malaysian economy and the balance between commodities and industry.

In the past we used to depend almost entirely on commodities. Now we have to balance trading commodities with manufacturing, whether it is heavy or light industry. If you cannot sell commodities then you have to produce something which you can sell. We have tried to create a balance, although we are still very dependent on commodities. It had never happened before that all commodities prices went down at the same time. It was, in fact, very lucky for us that we shifted into industry fairly early.

If we were trying to shift into industry now it would be very difficult because we would have very little money to spend. We invested when commodity prices were high, and although our industries may not all be making a profit, the investment is in place ready when the economy picks up. We know that commodity prices will never regain their previous levels. So we will have to depend more and more on industry and we have to export that which we produce. We need a world market. We do not want protectionism.

The performance of Malaysian industry.

I am satisfied with it. A lot of people think that it was a mistake to go into industries. It was not a mistake. What has happened is that there has been a worldwide recession. People are not buying things. But, once people begin to buy things again, the industries which we have should be able to generate wealth for this country.

For example, we would be happy to sell 100,000 cars in America which has a market for 10m cars. Why should anyone worry about our industrialisation? If we can sell 100,000 cars then the amount of work we can generate here, and the new skills we can acquire would be fantastic for a developing country.

We also want to move into the petrochemicals industry. A few years ago we made the decision but people advised us against it because there was going to be a glut. Now the newspapers say there is going to be a shortage of plastics, the price will go up, and we import 300,000 tons a year. The money that costs us could, within two years, buy us a factory. So it was a mistake not to go into petrochemicals.

The prospects for foreign investment.

This is what we are now concentrating on, particularly industries which are export oriented. It is quite obvious that the Japanese, and even the Koreans and Taiwanese, cannot keep on manufacturing in their own countries. They have to move out if they wish to remain competitive. This they are doing and we mean to attract a lot of that sort of capital.

We have amended the conditions to make it more attractive to invest in Malaysia. The Japanese are very keen to come here. The Koreans have now liberalised their export of capital, so we expect to benefit from them, too.

Our main attraction is that we are a stable country and our administration is good compared to many other places. I won't name those countries, but a lot of people think that it is easier to deal with bureaucrats in Malaysia. And if there is any hitch, we take immediate measures.

The future of the country's national economic policy.

We are holding the NEP in abeyance for the time being. We have to formulate a policy which will make up for the failure to achieve the targets we had aimed at. It may mean stretching out the period for achieving those targets, taking into consideration our lower rate of growth. That is alright by us. But there are aspects of the NEP which are not always noted by some people. Most people think of it as a distribution of corporate wealth. But it also means the training of the Malays, the Bumiputras, so as to equip them to compete in a competitive world. That we have done. We believe that we can also further increase the portion for the Bumiputras, but it will take a much longer time. We are presently studying how we should go about this.

The deputy Prime Minister's suggestion that the target for Bumiputra participation in the economy should be raised to 50 per cent.

A lot of figures have been drawn up, but we have not decided on anything. I think that 30 per cent is a good figure. But, of course, when you name a figure like that it becomes a controversial issue in itself while in fact it is quite meaningless. We targeted for 30 per cent (Bumiputra ownership) in 1990. We have got 18 per cent now. We will never achieve 30 per cent (by 1990), so the target itself is not so important. What is important is to make the Bumiputras more competitive in every way. They are learning quite fast. So we think that there is still hope we can achieve our targets.

The role of the private sector and the privatisation programme.

The emphasis now is going to be very much on the private sector, but the public sector will play its part. We have to increase economic activity. For example, since the government does not have the money to build the north-south highway we will give it to the private sector. If they need help in any way, we will provide it. We will make it possible for the private sector to invest.

We also want to diminish state activities. It is very much like what is happening in Britain. We thought that if we started state industries we would take 100 per cent of the profits, but we found that we lost money all the time.

In the private sector they were making money, so the best thing to do is pass these things on to the private sector. Let the private sector make the money and we will tax them. So we also will get the money. That is the idea behind privatisation. If the private sector does well, we will privatise more. However the private sector can also sometimes be very inefficient.

The UMNO elections in April.

It was quite a shock to a lot of the people. While it was fun to be able to practice democracy in the same way as Western countries, the results have been very traumatic. The split in the party can be mended given time, but the disruption is not something we like to see. We are a developing country and we need to be stable, to have a strong government.

We cannot have a government which is continually having to look over its shoulder to see whether there are people behind supporting it or not. We cannot afford it. The time may come, of course, when we can have the kind of free-for-all that you find in America and Europe. But a developing country needs a firm hand if it is going to develop.

The reasons for the split in UMNO.

It is a very tricky question to answer. There are a lot of ambitious people and they find ways of fulfilling that ambition. It can be very disruptive. They were trying to make out that the economy had been badly managed, but we participated together in managing the economy. It was not bad when we were working together. Why should it then be bad when you are competing against each other? However, all I can say for myself is that I do not give up easily. Maybe the other side is the same.

Is there increasing racial polarisation in Malaysia?

In a sense, yes. Partly because initially people thought that the NEP would not work, that it was just something to satisfy political needs. But the NEP did work to a certain extent. That created some apprehension that the Malays might become over ambitious and want everything for themselves.

When that happens attitudes do change a little. But that is just looking at one area—the business people who are the most affected. Non-business people are not that much affected. We see, for example, much more usage of the national language.

People are more fluent. There are elocution contests in Chinese schools where the standard at times is higher than that achieved even in Malay schools. These are among the more positive features which indicate that the polarisation is not all that bad. Provided the government stays on its present course, tries to be fair to everyone, I think that we should be able to manage, not integration, but a degree of harmony that cannot be achieved by many communities in the same sort of situation. Here we may glare at each other, say nasty things about each other, but we also sit around the same Cabinet table together and run the government together.

The threat of increasing Islamic fundamentalism in Malaysia.

The result of the last general election is a much better indicator than all those stories about increasing Islamic fundamentalism. Malaysian Moslems are largely moderate. They are used to living in a multi-religious, multi-racial society. They need to get along with other people, not too closely, but they still want to get along.

That is why, despite very strong extremist propaganda from the opposition Islamic party they won only one seat at the last election. It was their worst performance ever. We consider them to be deviationists. If they studied Islam properly they would have known that for a long time Jews have lived in Moslem countries.

The best refuge for Jews when there was a pogrom in Europe was to run to Algeria or Morocco, and they are still there. The history of oppression of Jews in Europe is much worse than the history of Jews in Moslem countries. There is no need for any non-Moslem to fear a country that has a Moslem population of only 50 per cent. It does not cause any problem here.

Foreign policy

Boost for inter-Asean trade

MALAYSIA HAS been more *fortunate than many countries* which achieved independence after the Second World War. Following the initial pangs of nationhood, which included the separation of Singapore, Malaysia has been largely free to pursue a foreign policy of its own choosing, unfettered by the demands of regional conflicts or superpower rivalry. It has been *allowed the option of non-alignment* and to place whatever weight it chooses in its relations with both East and West.

If, at times, this good fortune appears to be less than fully appreciated by some of the country's political leaders, it is probably because of the sense of dependence which still persists. Despite the impressive *political and economic strides* taken since independence, Malaysia has reason to feel vulnerable to world economic trends and to the policies pursued by the industrialised nations.

It is also extremely sensitive to any hint of political interference in the country's delicate racial balance, particularly if it comes from governments or people with a colonial past.

The cornerstone of Malaysia's external relations remains its membership of the Association of SouthEast Asian Nations, which links it to Indonesia, Thailand, the Philippines, Singapore and Brunei. The six members, although differing widely in their political systems, share the same broad approach to market economies and are all opposed to whatever threat still exists from communism. Their achievements, although modest in the field of internal economic co-operation, are highly valued. *In particular, Asean provides* a forum for discussing bilateral disputes and for more equal contact with Japan, the US and the European Economic Community.

The real problem handicapping Asean's economic development *is that its members are* competing with each other. Only about 20 per cent of Asean's *total trade is done within the* organisation itself. Indonesia, with by far the largest market, is understandably secptical at this stage of its development about common market propsals. However Malaysian officials are confident that the leval of inter-Asean trade will increase in the years ahead and are looking to the December meeting of heads of goverment in Manila to make substantive progress in that direction.

"This is a very important meeting for us", said a senior official in Kuala Lumpur. "It is important because political decisions can be taken about the future of Asean and for our relations with our dialogue partners. We have to be sure that *this meeting will make the correct* impact and will not be seen just as a jamboree.

In particular, Malaysia hopes that the summit and the subsequent meeting with the Prime Minster of Japan will provide the framework for a more structured economic role for Tokyo in the region, rather than degenerate into six nations scrambling for a larger share of whatever cake may finally be on offer.

This in turn could assist Asean politically. Malaysia argues that Asean must have its own clear strategy for the region *in order to resist attempts by* other nations to make South East Asia fit into their global concepts. "We must have our vision, but for us to realise that we have to enhance our economic development", said an official. He also speculated that Asean onne day may have to consider more formal military links beyond the present network of mainly bilateral defence understanding and security co-operationn.

The posture of the U.S. since its defeat in Vietnam had left a vacuum in the region and in attempting to fill it Asean should look primarily to its own resources. This view, according to Malaysian officials, is strongly supported by Indonesia but less wholeheartedly by Singapore and Thailand. The Philippines is meanwhile seen in Kuala Lumpur as looked into a love-hate relationship with the U.S., the outcome of which remains highly uncertain.

Meanwhile changes in the leadership of Vietnam and in the approach of the Soviet Union to international relations is raising still *very qualified hope* within Asean of progress towards the settlement of the Cambodia issue. The visit of Dr Mahathir, the Prime Minister to Moscow could provide further insights into the Soviet Union's willingness or capacity to bring the Vietnamese occupation to an end.

Elsewhere Malaysia can be expected to press its case for international organisations to be more than talking shops and exercises in social diplomacy. The Foreign Ministry has drawn up at the Prime Minister's request, an assessment of the cost *and benefits of Commonwealth* membership. Dr Mahathir is known to be irritated by what he sees as the lack of benefits which derive from membership and can be expected to put his views forcefully to Mrs Thatcher when the two leaders meet in London. *However* he *is* also understood to appreciate Britain's support on Cambodia and Mrs Thatcher's effort to promote the liberalisation of trade.

The problems encountered by a relatively small country in large international organisations are not limited to the Commonwealth. Malaysia is known also to be disappointed by the Islamic Conference Organisation which has spent large amounts of time and money on organising showpiece summits but which rarely produce concrete measures designed to assist many of its members. One of Dr Mahathir's aides said that as a general rule the Prime Minister preferred small forums such as Asean, which concentrated on common problems and the best means of solving them.

However membership of the United Nations, Asean, the Non-Aligned movement, and the Islamic Conference Organisation does also provide Malaysia with an extremely wide platform for its views which those critical of Dr Mahathir believe could be put to more effective use. In return there is no little to be learned from Malaysia's experience in the political, economic and social fields. On the international stage it has plenty of which to be proud.

Roger Matthews

Profile: Anwar Ibrahim

Protegé destined for high office

ANWAR IBRAHIM is the man to watch in Malaysia. He is Dr Mahathir's protege, and at 40, is already one of the three vice-presidents of the ruling UMNO party, holding the influential education portfolio.

His rise has been meteoric, but from now on, the climb will not be easy.

Anwar attracted attention as a student leader at the University of Malaya and was detained for more than two years without trial under the internal security act in 1974 for organising anti-government demonstrations.

He was head of the influential Malaysian Islamic youth movement, ABIM, when Dr Mahathir persuaded him to join UMNO in 1982, to counter the growing influence of the opposition fundamentalist party Islam.

Yet, many of his friends in the days when he was outside the government have expressed disappointment that he has not lived up to his principles.

"At the level of rhetoric, he seems to be saying the same things as before, for example on poverty and corruption, but when confronted with actual situations, he has failed to live up to expectations," Dr Chandra Muzaffar, head of Aliran, the reform movement, observes.

"On ethnic issues, he is ambivalent, as was the case regarding section 21 b of the education act (regarding vernacular education). On Islamic extremism, too, there have been at least two or three recent instances where he has failed to speak up."

Anwar denies he has deviated. He has, for example, he claims, spoken strongly against corruption and injustice to the prime minister and in the cabinet.

"As a minister, I cannot speak publicly on many issues. Airing views in public is not always the most effective way of getting things done," he said.

He argues, too, that he has played an important role in getting the repeal of the offensive societies act. He is in favour of reviewing the universities and colleges act, which severely restricts academic freedom and political activities on the campuses, but ironically, the vice-chancellors are against it.

The late Tun Dr Ismail, UMNO's theoretician, once remarked the party had the gift of picking up young talent, and putting them on a pedestal. There, they must prove themselves and wait.

The pedestal Anwar is currently occupying—as a Malay and Islamic champion—is a comfortable one. But in multi-racial, multi-religious Malaysia, he needs to prove himself as a national leader—if he wants to be one.

Wong Sulong

Mr Anwar Ibrahim, the Education Minister: a meteoric rise

Final inspection at the Shah Alam car plant for Malaysia's first national car, the Proton Saga

Industrial Policy

Proton project hits problems

MALAYSIANS TODAY are just coming round to the idea of buying a car second-hand. For many people it has been a painful adjustment, a measure of how deep the current economic recession has cut into disposable incomes.

It should prove even more salutary for a government, which still appears hellbent on producing its own homegrown automotive industry, sometimes it seems at whatever cost. It is barely two years now since the first Proton Saga rolled off the assembly line at the company's brand new plant outside Kuala Lumpur.

Proton, a project closely associated with the prime minister Dr Mahathir Mohamed, was to have been the vanguard of Malaysia's industrialisation, a way to diversify the country's economic base, and at the same time reduce its dependence on the increasingly uncertain commodity sector.

In the event Proton is in danger of being written off, in more senses than one, as just another white elephant, a project which promised to stimulate growth but which has merely served to stifle it.

Proton's problems, while in some respects unique, throw light on other areas of Malaysia's still small industrial sector, which remains pitifully short of indigenous skills, is technologically illiterate and too often sustained by public funds, at great cost to the exchequer.

Some sectors, particularly electronics and resource-based industries have made gains. Semiconductor assembly, which increased in volume by 28 per cent in 1986, has taken advantage of the recent relocation of Japanese capital to Malaysia.

Rubber products, meanwhile, have thrived with increased demand for condoms and surgical gloves on the back of the Aids scare. However, for those involved in domestic markets the recession has had a dramatic impact.

The "Malaysia car," as it is more commonly known even though more than 50 per cent of its parts are imported from Japan, has suffered from the market's collapse. Total sales fell from 90,000 units in 1983 to around 45,000 last year, of which 22,000 were Protons.

Cement and steel works have been similarly affected. The downturn in construction activity has meant cement factories are now working at less than half their installed capacity which is around 7m tonnes a year.

Only plant which has already depreciated its fixed costs, can hope to get anywhere near break-even. Steel foundries likewise, which are seen as an integral part of Proton and other heavy industrial projects, have been badly jolted by world supply conditions where stocks remain at historically high levels.

Perwaja steel works, a joint venture with Nippon Steel of Japan, was put on hold earlier this year in the face of shrinking domestic demand.

The plant, a prototype direct reduction blast furnace, has faced all sorts of snags producing sponge iron to standard, eventually forcing Nippon Steel to pay compensation to the government, under the terms of the original agreement.

But it has been Proton that has taken the brunt of the public criticism, recently over its audacious plan to tackle the US and European markets—something never envisaged at the outset, but forced on the company since domestic sales collapsed.

In the early 1980s Proton was part of the government's "Look east" policy and when the project was first cranked up, massive funds were needed.

The Government turned to yen dominated loans. With currency fluctuations these debt commitments have grown by 50 per cent. "Financial charges alone add 2,000 ringgit to the cost of every car produced at Proton," says Mr Mohamed Saufi, vice-president of the Heavy Industries Corporation (Hicom) the goverment's co-ordinating body.

With the car still dependent on knock-down assembly kits from Japan for over 50 per cent of components, even those original cost projections have had to be revised, owing to the appreciating yen.

"We had a choice," says Mr Saufi, "Either we liberalised like Singapore, or we chose the Proton route, shrank the market available to the consumer and hopefully produced a healthy automotive industry."

Starting with basic assembly the plan was to increase by stages the local content in manufacture, deleting the number of imported components. From today's simple body pressing, the plant was to develop its own engineering capability, making transmission systems and engine blocks.

The country's forging works hitherto concentrated on supplying the mining industry with large parts, like the bucket wheel for an offshore tin dredge.

"Ultimately to be competitive, even in the home market, you have to produce the major parts here in Malaysia," says Mr Saufi. Hicom is now going ahead with a 200m ringgit integrated engineering works to be housed alongside Proton.

Following a suggestion from the World Bank, the project has been somewhat scaled back. Nonetheless Hicom officials say negotiations are under way with two Malaysian firms, Sime Darby and Malaysian Mining Corporation MMC to come in as partners.

Sims are keen to use the plant to make the undercarriage of the Caterpillar tractor, which they currently assemble under licence in Malaysia.

The long-term costs of continuing to support the heavy industry sector are hard to estimate. However, in the present public mood, where privatisation is the word on the lips of civil servants and politicians alike, Hicom, and particularly Proton, look rather out of fashion.

John Murray Brown

Disposable medical equipment for export being made in Malaysia at the subsidiary plant of Braun Meisingen of West Germany

Banking

The dust begins to settle

THE WORST now seems over for Malaysia's banking and finance industry, hit by the trauma of the recession and the collapse of property and share markets during 1984-86. A few more financial institutions may yet have to be rescued, but public confidence is being restored. Bank runs have ceased.

The announcement earlier this month of a solution to the year-long, politically sensitive, issue of the US$300m losses suffered by depositors in the deposit-taking co-operatives (DTC's) is seen as signifying the close of a sordid chapter in Malaysia's corporate and financial history.

Even so, bankers agree the next two years are difficult ones for the banking industry. The problem of non-performing loans needs to be ironed out: banks will have little choice but to reschedule many business loans or even take equity in project of borrowers. The industry has to cut down costs, which had risen steeply during the 1970s and early 1980s.

The much talked about government policy of bank deregulation has been shelved for the time being, as Bank Negara, the central bank, assumes extensive power to direct the industry to ensure there would not be a repetition of the banking crisis of 1986.

The extent of the shocks can be gauged by the following bank rescue operations that the government had to undertake:

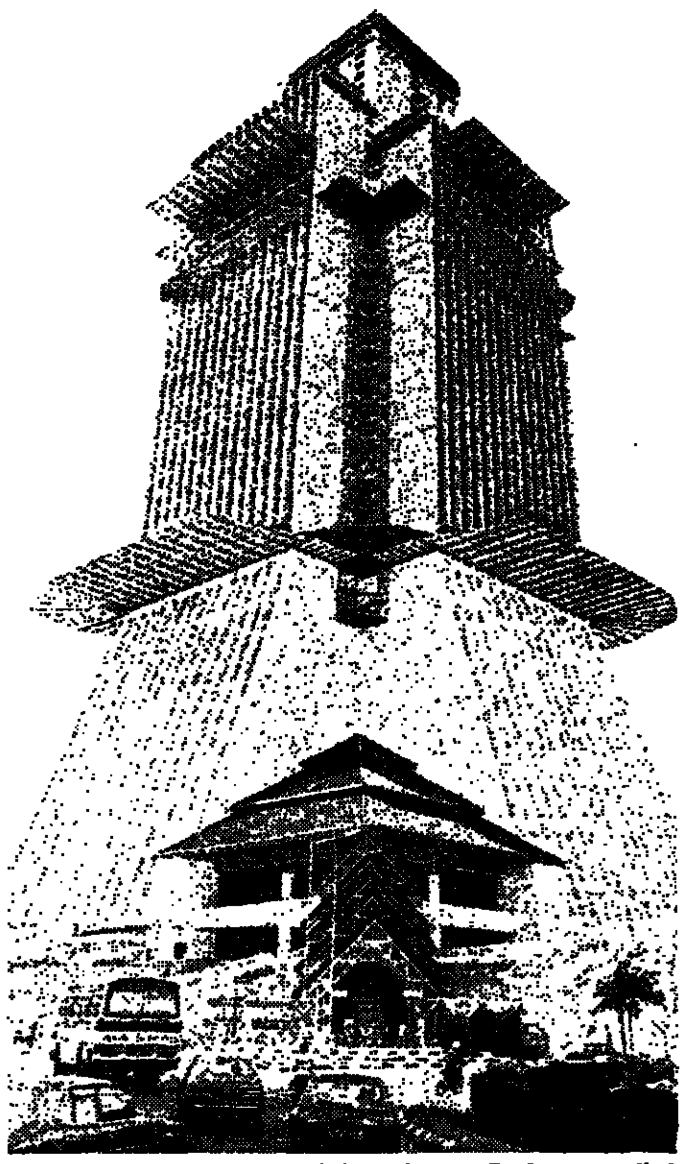
Bank Bumiputra: in September 1984, the Government ordered Petronas, the national oil company, to inject 2.5bn ringgit into the state-owned Malay bank. Bank Bumiputra had suffered losses amounting to more than 2bn ringgit because of bad loans to Hong Kong property speculators. The bank is currently in the process of raising another 450m ringgit to cover for losses and loan provisions in its domestic operations.

United Asian Bank: suffered losses of 140m ringgit in 1984-85. It had to raise 152m ringgit through a rights issue in which Bank Negara injected 135m ringgit for a 59 per cent stake.

Perwira Habib bank: it suffered losses of 673m ringgit in 1984-86. Bank Negara had to inject 600m ringgit to bail it out in return for a 49 per cent stake.

Sabah bank: it suffered losses of more than 100m ringgit during 1984-85. The central bank had to put in more than 100m ringgit and took up 63 per cent equity.

In all these rescues, the central bank said its equity holdings are temporary. The stake would be sold to "competent organisations and individuals" once these banks are profitable.



New banking headquarters rise in Kuala Lumpur. Bankers agree that the next two years will be difficit ones for the industry

From a situation of tight liquidity a year ago, the banking system is now awash with funds. This is attributed to the Government injection of funds, better commodity export prices, an influx of foreign funds into Malaysia to take advantage of the rising stock market and improved economy, and a shift of deposits away from the non-central bank supervised institutions as a result of the DTC's scandal. There has also been a sharp decline in borrowings, particularly from the construction industry.

Bank interest rates have fallen substantially by between 4 to 5 per cent to an average of 4 per cent for 12 months' deposits. At the same time, the base lending rate has fallen, though less sharply by 3.5 per cent and is currently at 7.75 per cent. It is likely to drop again.

The Government wants lending rates to go down so as to stimulate business activity. However, businessmen complain that actual lending rates are still high, in most cases pegged at between 11 and 14 per cent.

Depositors and consumer organisations charge the banks with making extra profits at their expense, because of the widening spread. But bankers have another story to tell:

"Yes. For banks which can lend out their funds, they should be making better margins because of the spread. But right now, many banks have difficulties in finding good bankable projects. For them, accepting deposits, even at 2 per cent interest is not very attractive," says one banker.

Mr Daim Zainuddin, the Finance Minister, rejects the complaints about the shortage of good customers.

"What we are experiencing now is more of a temporary phase, resulting from the banks' recent experience whereby many banks' good customers found difficulties in repaying their loans as they were directly affected by the recession. And the banks in turn have become very cautious. We have always told the banks to look for potential viability of projects rather than the value of collaterals," he says.

Mr Daim also rejects suggestions that there is increasing politicisation in the banking industry, which many bankers say is the single most important stumbling block in promoting professionalism and supervision of the industry.

Late last year, the banks succeeded in persuading the government to drop its proposal to give ailing companies protection—along the lines of chapter 11 of the US Law—in exchange for a promise that they would positively help ailing corporations which are inherently viable.

As the banking industry learns the bitter lessons about lending to "quality" names without adequate collaterals, and over-exposure to property and shares, Bank Negara sees the future challenge of the industry as raising the level of professionalism and innovativeness, aiding economic recovery, and encouraging national productivity and international competitiveness.

It feels it is time for banks to participate actively in the development and expansion of the capital market. Arab Malaysian merchant bank is already active in the securities industry through its stock-broking subsidiary, and its participation in the New York-listed Malaysia Fund.

Several banks are in the final stages of buying into stock broking firms.

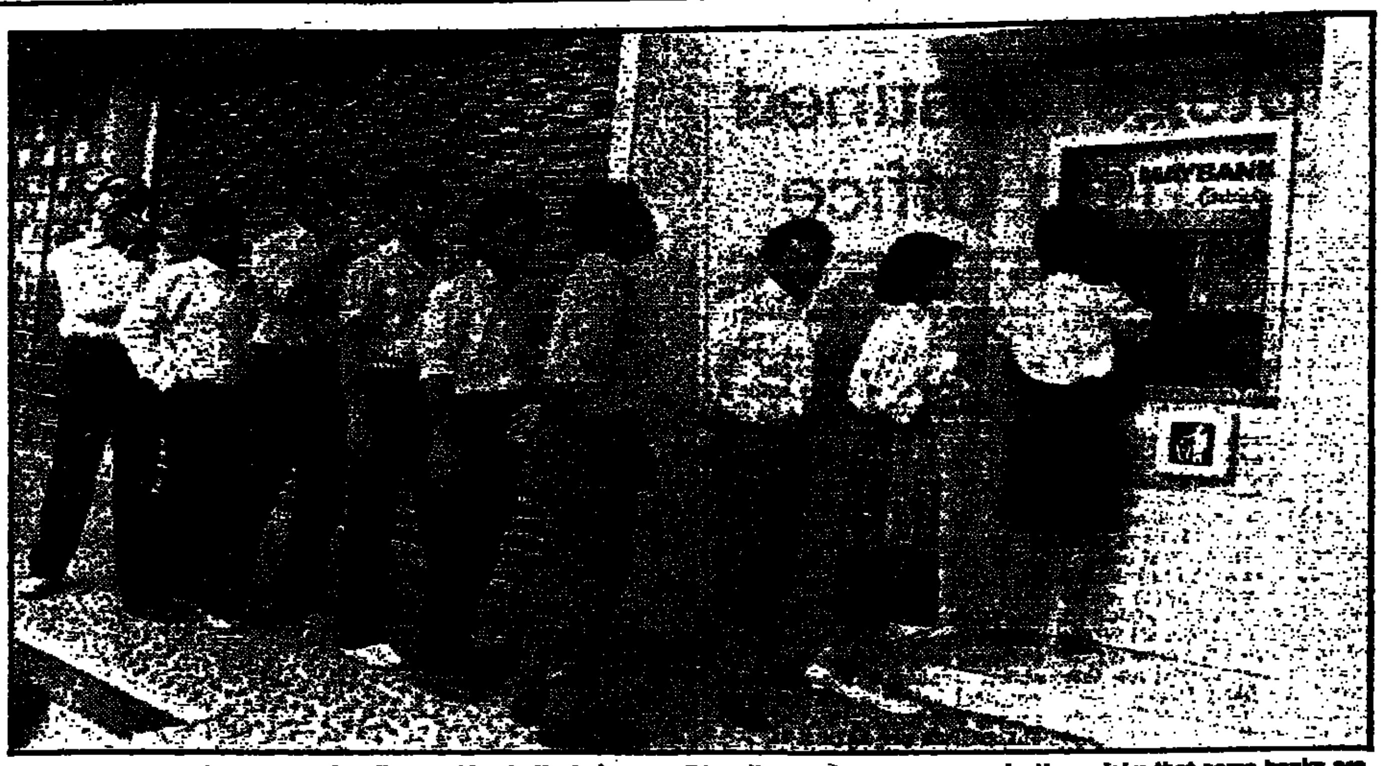
A National Mortgage Corporation, Cagamas, has been incorporated with the central bank advancing 500m ringgit to it for working capital. It is hoped the secondary mortgage market will be launched before the end of the year.

The bailout of the 580,000 DTC's depositors has removed a source of friction between the Malay and Chinese partners in the coalition government and an area of instability in the financial system.

Malay leaders had initially refused the bailout, but then recoknised the sensitivity of the issue. Under the rescue plan, the depositors, most of whom are Chinese will get at least 50 cents for every dollar in cash by 1990 at the latest.

The rest will be in shares either in a financial institution or publicly listed company. The rescue will cost the government a substantial amount of money, though the exact sum has yet to be worked out.

Wong Sulong



Customers queue at an automatic teller machine in Kuala Lumpur. Depositors and consumer organisations claim that some banks are making extra profits at their expense. Businessmen also complain that actual lending rates are still high, in most cases pegged at between 11 and 14 per cent

Stock Exchange

Excitement running high

TO ENTER the dealing room of one of Malaysia's leading broking firms is to witness the financial fever currently gripping the Kuala Lumpur stock exchange, KLSE.

While traders sit glued to computer screens offering real time pricing, behind a glass partition, punters watch proceedings with a mixture of pain and pleasure like supporters at a football match.

The Kuala Lumpur stock exchange is seeing the strongest bull market in its history. On the back of better prices for the country's main commodity exports, particularly palm oil and petroleum products, demand for Malaysian blue chip stocks has pushed the composite index up 150 per cent in little over 12 months.

Most analysts believe it has some way to go. Of all the small markets in Asia, the KLSE was the last to attract the foreign investor, keen to diversify his portfolio in what has been the increasingly hectic traffic between the world's capital markets.

Unlike previous booms on the KLSE, this time the fundamentals look strong and sustainable. Both plantation and manufacturing sectors are showing improved earnings. Now like any classic bull market investors are busy switching into consumer stocks.

One broker estimated that with palm oil prices at current levels, a company is enjoying a 40 per cent profit margin. The strength of the yen has also made Malaysian manufactured exports more competitive.

At the same time, there has been a significant relocation of Japanese capital into Malaysian plant, particularly in the electronics sector. Where a few years ago Malaysian industry suffered huge overcapacity, today firms can increase output without substantial new investment.

The KLSE, which was capitalised at June 30 at 103bn ringgit, has an average daily turnover of 130m ringgit. It currently lists 291 stocks, including Sime Darby bhd, Harrison Malaysian Plantations bhd, and the large minerals group Malaysian Mining Corporation mmc.

Until 1973, the KLSE was part of the stock exchange of Malaysia and Singapore. Though now separately incorporated the two exchanges have a direct telephone link and engage in Singapore are Malaysian companies.

This, together with the changes in supply and demand, and the fluctuations between the Malaysian ringgit and Singapore dollar provides plenty of scope for arbitrage. The one inactive area is that of government securities. They tend to be held by banks and financial institutions and are treated as part of its asset base by the central bank.

Little more than 18 months ago, the KLSE was rocked by a series of financial scandals, including the Pan-Electric crisis which saw the exchange suspend trading for three days.

If anything, the experience appears to have bolstered the market. There are now regulations protecting minority shareholders. The government has also laid down new rules for corporate disclosure for listed companies. To top it all the stock exchange rule book is now being radically revamped.

In addition, unlike Singapore, broking firms adjusted well to the crisis, with no bankruptcies reported to date. Indeed some now talk of the day when Malaysian stocks will be delisted from the Singapore exchange, in line with the government's current policy.

The current bull market should do much to further the process. Top broking firms have already been forced to develop research departments, something unheard of four years ago, to meet increased foreign institutional demand. Many now offer a service competitive with the large broking houses in Singapore, which traditionally have dealt with block orders from overseas clients.

The successful launch on the New York Stock Exchange of the Malaysian fund, a US$84m investment instrument, was a further indication of confidence—at least from the US. If the market can now woo the Japanese investor, many brokers see the index reaching new heights.

However, much of the momentum today is sustained by local investors. While domestic interest rates remain low, and with no capital gains tax to worry about, people are happy to gamble away savings on this bull market. Newspapers now run diagrams and charts and "buy and sell" tips from noted firms.

Even the state-run television provides a three-minute market report at the end of the evening news, delivered with all the specialist jargon. "With the index at its height," said one broker, "men take time off work to sit in our office to make a quick buck."

Speculative interest has focused on the rash of new issues, some of them state firms privatised by the government, others private companies keen to raise money for acquisitions. Both new issues and rights come to the market hugely underpriced.

Prices are set at such a large discount by the government-run capital issues committee, in part to give Malays a chance to invest. This is in line with the new economic policy (NEP) under which 30 per cent of the country's corporate wealth is to be owned by Malays, the Bumiputras, by 1990.

In practice Malays often "sell names" to Chinese, who then subscribe for shares, sometimes disguising multiple applications.

Some analysts say the market is set for a period of consolidation. They look for new factors to further prime stocks, like a disastrous soya bean crop in the US to push up palm oil prices. Large overseas clients, already well invested in blue chip companies, now sit on handsome paper profits.

"The recovery was foreign led," said one broker. "But then so was the crash."

John Murray Brown

Foreign investment

New rules help rekindle confidence

IT IS ironic at a time when Malaysia is moving towards a more liberal investment regime that there is a considerable hardening of attitudes among foreign investors towards the country. Once bitten, twice shy is perhaps the apt description.

"Depending on the product, I would say Malaysia still comes out top or near the top in South-east Asia" says the head of one large foreign group in Kuala Lumpur.

"But if Malaysian leaders want investment, they must sell the idea to their own people in the kampongs (villages), and check this dangerous trend of Islamic intolerance."

"My advice to a potential foreign investor is to be to very certain of what you want and stick to your guns."

The introduction of the new economic policy in 1970 and the rise of economic nationalism saw a vigorous government policy of "buying back the farm." Many foreign investors were treated as if they were neo-colonialists holding back Malaysia's economic independence by over zealous officials.

Buoyed by strong economic growth, firm commodity prices and rising government revenues, the authorities were able to implement their ambitious social and economic restructuring programmes so that by the end of the decade, most of the foreign plantations and tin mines were under local ownership.

To be fair, the foreign owners who sold out did not do too badly. They were paid market prices. In retrospect, some of the prices paid were too high. To Malaysia's chagrin, some of these investors had re-invested in neighbouring countries, at substantially lower costs, aggravating competition for Malaysia's commodities.

The collapse of commodity prices, and the worst-ever Malaysian recession for 50 years in 1984-86 has forced the government to backpedal on many of its economic policies. A big push is being made to regain foreign investors' confidence and significant changes in policies and incentives have been introduced during the past two years.

For most new investments, the 30 per cent foreign equity restriction no longer applies. Foreign investors are allowed to hold up to a 100 per cent share if the company exports 80 per cent of its production.

A 51 per cent foreign equity holding is permitted if the project exports more than 51 per cent of its production or if the products are high technology ones. And investment applications received from October last year to 1990 will be allowed any level of foreign equity if the company exports more than 50 per cent of its production or employs more than 350 Malaysians.

"What foreign investors look for, apart from profits, is control of their operations. I think this message is getting through," said a senior Western diplomat.

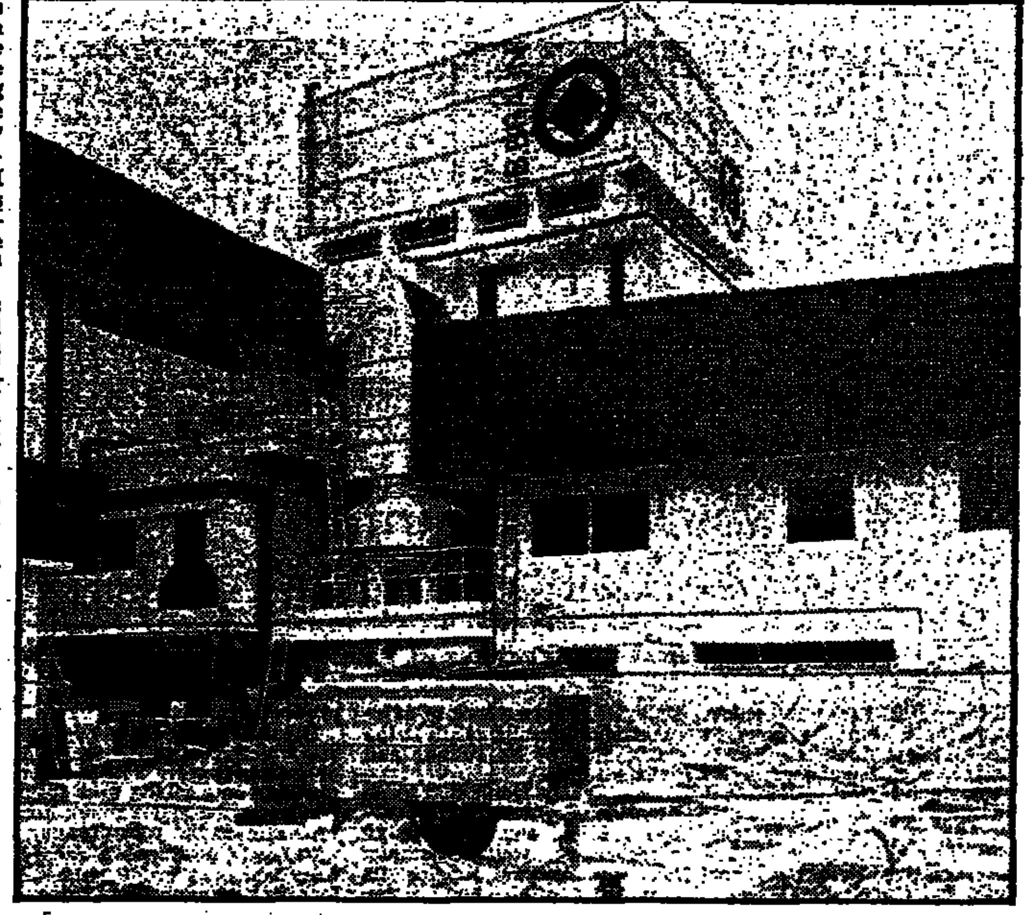
He pointed out that corporate scandals and disasters of recent years have shaken the confidence of many foreign partners. There have been a number of cases where the foreign investor, having relinquished equity and management control to comply with government policy, later found themselves saddled with major losses because of mismanagement, corruption and imprudence of their local partners.

Foreign investments have always played a crucial role in the Malaysian economy. The foreign-owned sector is also the most dynamic. Most of Malaysia's oil and gas are produced by Shell and Exxon. Foreign banks control a third of the nation's deposits. American, Japanese and German electronics factories have made Malaysia the world's biggest exporter of semi-conductors.

Exact figures of the scale of foreign investments are hard to come by. The Malaysian Industrial Development Authority, MIDA, puts total foreign investments in th manufacturing and hotel sectors at the end of 1985 at 10bn ringgit. Current market value of foreign investments is probably in the region of between 20 and 24 ringgit.

MIDA puts Singapore as the biggest investor with 2.23bn ringgit, followed by Japan with 2.17bn ringgit. Britain is third with investments of 1.59bn ringgit, followed by the US 950m ringgit and Hong Kong and the Netherlands with 676m ringgit each.

Existing foreign investors welcome the more liberal government corporate policy, but feel rather unhappy that the new equity rules are not extended to them. "If the government wants new investments, the best source is among people who are already here," one businessman commented.



Extending the factory of the Malaysia subsidiary of B. Braun, of West Germany, in Bayan Lepas free trade zone, Penang

However, the authorities say existing investors are being looked after by the broad range of new incentives and, in any case, the government's emphasis is on growth, rather than restructuring.

They say the Government should be judged by its action, and investors should take heart from three recent major restructuring exercises. In all three, the foreign owners, Nestle, Rothmans of Pall Mall and Imperial Chemical Industries, were permitted to retain both equity and management control. Their submissions that such control was necessary because of the crucial importance of trademarks and patents, and their worldwide research and markets were accepted by the authorities.

"If political infighting is contained, and if the Mahathir Government checks the extremists, I would say Malaysia is a pretty good place to put your money," said an American banker. "The economy is turning around, the incentives are attractive, and operating costs are low."

According to the Malaysian authorities, investment interest is particularly high among the Japanese, who are considering relocating some of their manufacturing because of the high yen, and recently also among the Taiwanese and South Koreans, whose currencies are beginning to feel the pressures of revaluation.

Five Japanese companies, Sony, Fujitsu, Matsushita, Toshiba and Clarion are to invest 200m ringgit this year in new electronic and electrical plants.

After a lull of four years, foreign interest in oil exploration in Malaysia is picking up again, helped partly by better oil prices and also by the more attractive exploration and production sharing terms.

In the first few weeks, three exploration agreements have been signed with Agip of Italy, and several consortium of Japanese, South Korean and Taiwanese companies. Two more exploration pacts are due to be signed later in the year.

Wong Sulong

Investments in Manufacturing

Approved projects (in m ringgit)

	1980	1981	1982	1983	1984	1985	1986
Number of projects	298	335	230	283	431	355	302
Foreign equity	**247**	**475**	**519**	**296**	**275**	**423**	**524**

Source: Malaysian Industrial Development Authority (MIDA).

Dato Malek Merican, managing director of Arab-Malaysian Merchant Bank, Kuala Lumpur

Profile: Dato Malek Merican

Two goals achieved

ONE OF Malaysia's refreshing qualities is the apparent ease with which professionals can change careers in mid-stream. Professors of economics become captains of industry, government officials go on to head successful banks.

An example of the latter is Dato Malek Merican, presently managing director of Arab-Malaysian Merchant Bank and a reluctant but effective contributor to the national debate on economic policy.

After 15 years in the Treasury and two years as alternate director at the IMF in Washington, Mr Malek took what he admits to be a difficult decision. He joined the Asean consortium bank before moving on to Sime Darby as finance director, and then five years ago to his current job at Arab-Malaysian.

The breath of experience has obviously served him well. He can speak with authority, and empathy, on problems and issues facing the worlds of business, banking and government.

His ambition for Arab-Malaysian was easily summarised—"to turn it into a good merchant bank." In particular he wanted to build up the corporate finance activities and to develop the capability of its investment department. Both goals have been achieved, although the limited opportunities offered by the Malaysian market caused the bank to develop from fund management into services tailored to individuals.

It also became the first Malaysian bank to buy into a broking firm. "I think that after the Pan Electric episode foreign firms may be more happy dealing with a bank-linked company," said Mr Malek.

With Arab-Malaysian now firmly established at the top of the local merchant banking tree, the problem for Mr Malek is how to sustain the 30 per cent fee income requirements imposed by the Government during a perhaps extended recession.

It is at least partly because of that concern that Mr Malek has been persuaded to stray into the political arena. "I try to stay where possible in the financial and capital markets," he said with a smile.

A paper he delivered in Kuala Lumpur earlier this year entitled The New Economic Policy from a Private Sector Perspective, was widely considered to be one of the most balanced presentations of the case for economic reform that has been heard in the capital. The essence of Mr Malek's argument was that the forced restructuring of the NEP should be replaced by a national growth and include a realistic programme to assist Bumiputra advancement.

If the emphasis was placed permanently on restructuring this, "will only mislead the Bumiputras to a path of national economic stagnation, with all the implicit consequential tensions and risks," he concluded.

From a man anxious to keep clear of politics, it demonstrated how deep is the concern within the profitable part of the private sector over the direction of the country's economy.

Roger Matthews

Tin ingots being stacked after weighing at Datuk Keramat Smelting plant at Penang

GDP Growth Forecast, 1985-88	1985	1986	1987	1988
Economic Indicators	(Percentage change)			
GNP at market prices	−3.2	−7.3	5.1	7.7
GDP at market prices	−2.5	−7.5	4.7	7.2
GDP at 1978 prices	−1.0	1.0	2.4	3.9
	(Malaysian bn)			
Merchandise exports	37.6	35.5	37.8	38.8
Merchandise imports	28.7	27.1	27.4	28.2
Merchandise balance	8.9	8.4	10.4	10.6
Services	−10.7	−9.6	−9.3	−9.0
Current account deficit	−1.8	−1.2	1.1	1.6
Federal government revenues	21.1	19.2	20.5	21.6
Federal government overall deficit	−5.7	−8.5	−7.0	−7.2
Consolidated public sector deficit	−7.5	−12.2	−11.0	−10.1
Total external debt outstanding	40.2	51.0		
	(Percentages)			
Debt service ratio (% of exports)	15.8	17.6	17.0	18.8
Unemployment	7.6	8.7	10.0	10.6
	(Percentage change)			
Consumer prices	0.3	0.7	1.2	1.5

Malaysian Institute of Economic Research.

Joseph Pairin Kitingan, the Chief Minister of Sabah, East Malaysia. The province now accounts for 60 per cent of the 285,000 acres of cocoa cultivated in Malaysia

Commodity exports

One serious problem after another

ONE CRISIS over, and, it seems, another is always just round the corner, at least that appears to have been the story of Malaysia's commodity sector, today slowly recovering from its worst-ever recession.

First was tin. The collapse of prices for the metal not only dealt a resounding blow to the government's coffers, it also raised serious questions about the judgment of the prime minister Dr Mahathir Mohamed, who in part brought on the catastrophe by trying to corner the London market.

Today another storm is brewing, this time over palm oil, now the country's major plantation commodity, which last year earned 3.6bn ringgit. Having carefully steered past the EC, which decided only last month not to impose its controversial oils tax, Malaysia is on course for a full blooded confrontation with the US, or more particularly with the US soya bean association—soya being palm oil's main competitor in this increasingly cut-throat world vegetable oil market.

Malaysia's minister for primary industries Mr Lim Keng Yaik has been a tireless crusader for the cause of palm oil, visiting not only European countries but also the US and South America.

Officials are so riled by what they say is the "discriminatory" campaign waged against palm oil by the powerful US soyabean lobby, they have now taken on the services of Hill and Knowlton, a US public relations firm, to counter the "fight the fat" propaganda.

And, if that was not enough, in June a band of irate dayaks from the jungles of Sarawak took to the streets of Kuala Lumpur, in full tribal costume, such as it was, to lodge a complaint with the authorities over logging in their east Malaysian state.

Palm oil tins being filled: a storm is now brewing over palm oil, Malaysia's main plantation commodity

Whether or not the stunt pays off, there is little doubt the government is going to have to address the problem in the forestry sector, pulled one way by an increasingly self confident environmental body, and another by powerful interest groups who currently control the lucrative timber concessions, and more.

For anyone seeing Malaysia for the first time it is hard not to notice the row upon row of palm oil and rubber trees as the plane touches down at Kuala Lumpur's Subang airport. And once down in immigration it is now customary to find three countries on the so-called black list, some south American nations joining the likes of Israel and South Africa.

Officials are apparently concerned lest the leaf blight endemic to Brazilian and other plantations takes hold in Malaysia, where a lack of natural immunity could result in the decimation of its rubber and palm oil crop.

It is perhaps ironic that south America provided the first rubber sapling, smuggled by an enterprising young botanist from the Amazon jungles, its natural habitat, and transplanted in Malaysia, where under British rule it was to become the mainstay of the economy.

Malaysia has never lost its world market supremacy in rubber, accounting for 35 per cent of world output.

In British times it was grown largely by immigrants from Sri Lanka and India who now make up 9-10 per cent of Malaysia's 23m population. Chinese coolie labour meanwhile worked the tin mines, which today account for 35 per cent of the world's production.

The growth in Malaysia's palm oil, which now is 60 per cent of world supply, was a later phenomenon, taking over from rubber as the major plantation crop only in the past decade.

Malaysia produced a record 4.5m tonnes of crude palm oil (cpo) in 1986, exporting 4.3m tonnes, an increase of 33.9 per cent on the previous year.

"People who say the plantation industry is dying are wrong," said one planter, with more than 30 years experience in Malaysia." We've got expertise and research that no one can touch."

It is often to the chagrin of other sectors of the economy that the budget for research and development into commodities, keeps rising despite the depressed state of prices.

Kuala Lumpur is now established as the world capital of palm oil—a claim reinforced by the recent international conference in the capital, which brought together producers and consumers, multinationals and private research chemists.

For all that the commodity sector remains very precarious—vulnerable to the weather and the more fickle ways of consumers in an increasingly proctectionist world market.

Domestically the industry faces the dual constraints of a scarcity of good new land for development, as well as a serious lack of manpower, an odd phenomenon in a country which is suffering worsening rates of unemployment.

The problem is particularly pressing in plantations growing rubber, which is tapped in the early hours before the heat of the sun forces the latex to dry up.

Many of the original immigrant tappers have moved to find jobs in the city, a trend which is actively encouraged by the government in its bid to hasten Malaysia's industrialisation.

The problems of labour shortage in the plantations was an unforeseen headache, which ministry officials estimate now curtails production in the sector by as much as 20 per cent.

This already sensitive problem is compounded by the presence of a burgeoning illegal workforce of Indonesians, said to number as many as 100,000.

"It's like Europe," says Mr Dato Wong Kum Choon, secretary general at the ministry of primary industries. People are now choosy about jobs and no one wants to get up at 5 o'clock every morning to work the plantation.

"If you've read Somerset Maugham, its a familiar complaint."

John Murray Brown

East Malaysian states

A chance for investors to spread their risks

IN BRITISH times, Sarawak was famous for its White Rajahs. Today the state is better known for its pepper, both white and black, now one of the world's leading brands. With nearby Sabah, these two outposts carved from the jungles of Borneo are increasingly important as centres of agricultural production.

Sarawak grows 95 per cent of Malaysia's pepper. Sabah produces over 70 per cent of the country's cocoa. Together these two east Malaysian states contain a majority of the country's tropical timber, which in 1986 was the single, largest export earner in the primary commodity sector.

East Malaysia remains one of the last unexplored regions, offering virgin territory for the first time investor as well as the chance for companies already involved in plantations on the peninsula to diversify, spreading their risks into other products.

Pepper production in Sarawak is a source of income and employment for over 40,000 families, but recent conditions for them have not been easy. In 1979 Malaysia was the world's largest producer of this valuable spice, with output reaching 42,000 tonnes. But more recently poor prices have forced growers to abandon their farms with the result that production slipped to a low as 15,000 tonnes in 1984.

Pepper is cultivated by small holders, and requires small initial financial outlays on fertiliser and poles used to stake out the plants. Each pole costs around 8 ringgit, with the plant maturing within 3 years and fruiting for another two. Tight world supply conditions have recently encouraged renewed activity in pepper in Sarawak. With prices better than for 30 years, a farmer can currently expect to make double his investment from 12 months of cropping. According to the Pepper Marketing Board, farmers are set to expand output by 20 to 30 per cent.

About 60 per cent of Sarawak's pepper is shipped to Singapore, which is the main buying centre for overseas purchasers. However, export duties on pepper have recently been reduced to increase tonnages sold direct to customers in Europe and the US. In turn, this has helped raise the local delivered price paid by merchants to the farmers, which should stimulate additional production.

Cocoa production in Sabah is a more recent development. But the province now accounts for 60 per cent of the 285,000 acres of cocoa being cultivated in Malaysia. In 1986, cocoa exports earned 646.3m ringgit, a 21 per cent increase on the previous year. Suitable soils and climate together with good technical and research support has helped the crop expand rapidly. Where much of the cocoa grown on the peninsula is intercropped with coconut, in Sabah cocoa is reared in plantations, with about a third under smallholdings, resettlements and co-operatives.

Timber is still East Malaysia's main resource, accounting for over 70 per cent of the country's 21.8m hectares of gazetted forest. Last year wood products earned 4.7bn ringgit. Though sawn timber demand was quiet as a result of the downturn in domestic construction, exports picked up, with particular interest being shown in Dark Red Meranti and rubberwoods. Log exports were down with lower offtakes by South Korea and, more particularly, Japan which takes 60 per cent of Malaysia's log exports. Plywoods and veneers performed better with increased exports to the UK and Singapore and higher demand from India for hard wood veneers, especially those from Sabah.

Greater efforts are now being made to step up re-afforestation, and also to develop downstream industries like sawmills and furniture making.

John Murray Brown

The East Malaysian states contain most of the country's tropical timber

Minerals, oil and gas

Tin casts deep shadow over mining sector

THE SAD state of the tin industry continues to cast a deep shadow over the mining sector. While still the world's biggest tin producer, in the last 18 months Malaysia has suffered a painful retrenchment with the closure of mines and the layoff of a large part of the workforce.

Production contracted sharply last year, down 21 per cent from 1985 to 29,135 tonnes. Less than half of the country's 41,060 mines were still in operation by the year end. Equally dramatic was the extent of the redundancies, with 11,800 in work compared with 23,000 a year earlier.

Malaysia's export earnings from tin were down 60 per cent on 1985 to 649.6m ringgits, this reflected the sudden collapse in the market after the International Tin Council failed in its efforts to support prices in late 1985.

In recent months prices have firmed to around 16.50 ringgits a kilo. At the time of the crash, the metal fetched 29 ringgit on the Kuala Lumpur tin market. Malaysia has since been instrumental in winning support from fellow members of the Association of Tin Producing Countries for a plan limiting exports this year to 96,000 tonnes. It is hoped this will further stimulate prices and so reduce the estimated 80,000 tonnes of stocks depressing the market.

The Government has introduced a series of measures, including soft loan facilities to help mining companies many of whom are small privately-owned concerns. There have been efforts to increase domestic consumption in the tinplate, solder and pewter industries. However, this still accounts for barely 5 per cent of total production. Tariff rates on diesel and electricity have also been cut in a bid to reduced production costs.

The result is a marked increase in the number of companies applying for licences to re-open mines, previously thought uneconomic. Any increase in current output levels would put unwantd strain on the ATPC export agreement.

Over half of Malaysia's tin is produced from gravel pump mines. However, any expansion would likely to be from dredges, which enjoy lower operating costs. Malaysian Mining Corporation (MMC), the country's largest tin company, has succeeded in keeping 22 of its 42 dredges operating, many working richer seams of the metal.

An altogether brighter prospect is Malaysia's oil and gas sector, which earned 7.3bn ringgits in 1986, accounting for 15 per cent of total exports. Only electrical components earned more.

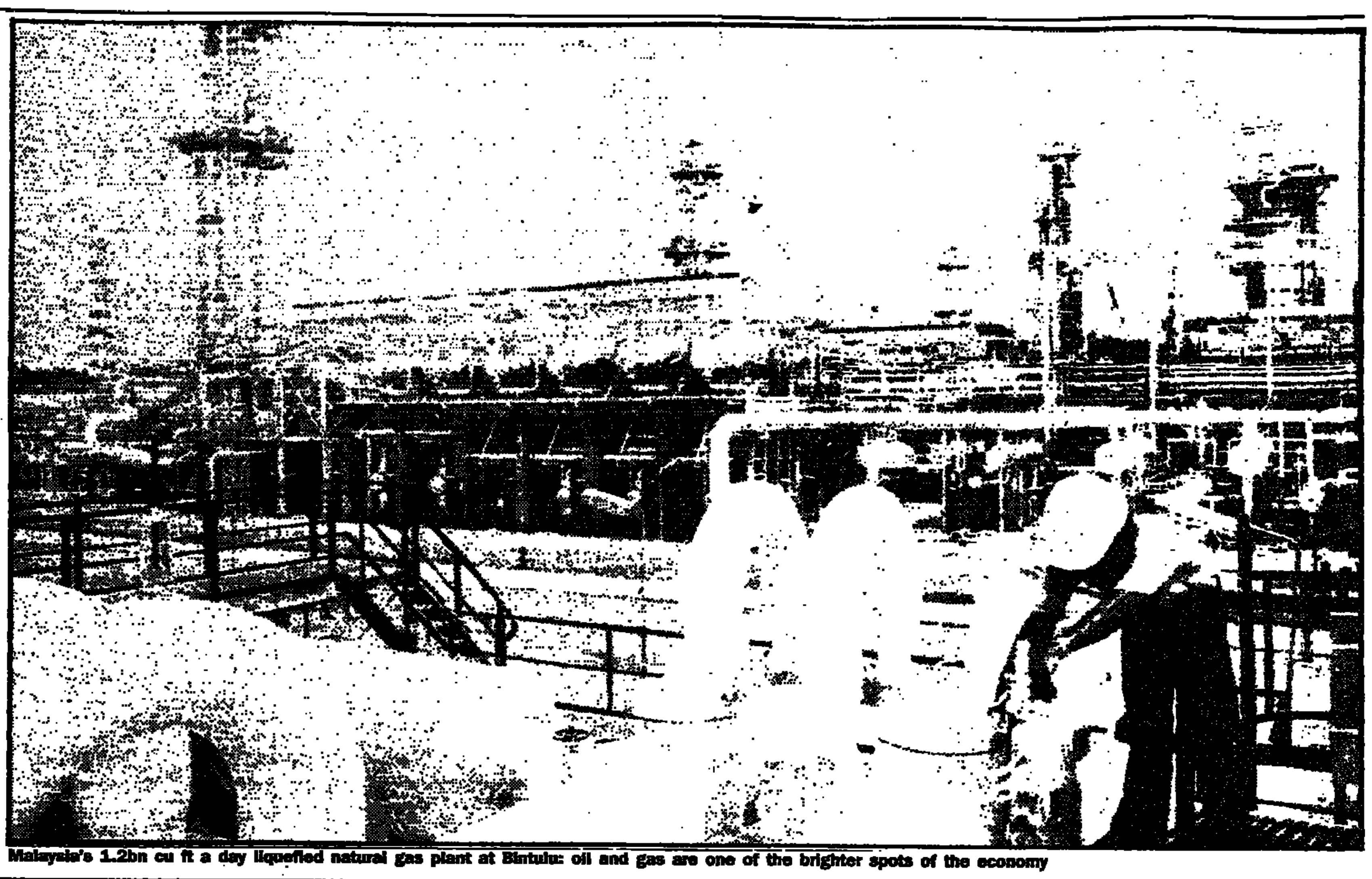
Particularly encouraging was the favourable response of foreign oil companies to the government's new production sharing contract. Among other things, the new agreement will give producers increased allowances for cost recovery.

Though not a member of the Organisation of Oil Exporting Countries (Opec), Malaysia has nonetheless played its part in the latest accord on production levels. Output is expected to be cut back by 10 per cent this year to 450,000 barrels a day. The country still has substantial reserves estimated at 3bn barrels, which at present extraction rates would last 15 years. About half Malaysia's production is from Sabah and Sarawak.

These two states also contribute a large proportion of Malaysia's output of liquefied natural gas. This increased by 17.8 per cent last year to 5.3m tonnes, all of which was shipped to Japan.

The Government is now looking at a major pipeline project to supply domestic and industrial consumers in the Malaysia peninsula, the pipeline is also expected to supply Singapore and Johar.

John Murray Brown



Malaysia's 1.2bn cu ft a day liquefied natural gas plant at Bintulu: oil and gas are one of the brighter spots of the economy

Commodity markets

Kuala Lumpur exchange plans a new life

THE KUALA Lumpur Commodity exchange, buried away in one of the city's many new shopping malls, looks more like an ill-attended university lecture hall than a market place where millions can change hands.

Carpets on the trading floor now muffle the excitement of the "open outcry" system and, in any case, today more than half the 50 broking booths stand empty.

However all that may be changing. The KLCE, under its chief executive Mr Syed Jabbar, plans to expand the number of contracts traded as futures, making Kuala Lumpur the key market in a region which produces many of the world's traded commodities.

In October a tin futures contract will be launched. A new stock index futures contract is being considered and officials are looking at ways to improve trading in palm oil kernel futures and rubber.

The KLCE currently deals only in crude palm oil futures, palm kernel futures and two grades of rubber, RSS and SMR20. In a bid further to internationalise the market, trading recently went over to a computerised real time pricing system. The KLCE is also to allow individuals to trade on the floor on their own account, much like "locals" do in the US.

Since the massive palm oil contract default in 1984, which forced the market to close, the KLCE has been seeking to rebuild its reputation. Relaunched in 1985, the KLCE has undergone a major restructuring. The system of clearing and guaranteeing contracts has been tightened up, and government directors have been appointed to the board. Exchange members also take an equity stake in the new clearing house, to provide, in the words of Mr Jabbar, a measure of common bond.

The more pressing problem is to breathe fresh life into trading activity. Though business has picked up from a low of 50 daily contracts to around 300 in recent weeks, only palm oil is traded on a regular basis.

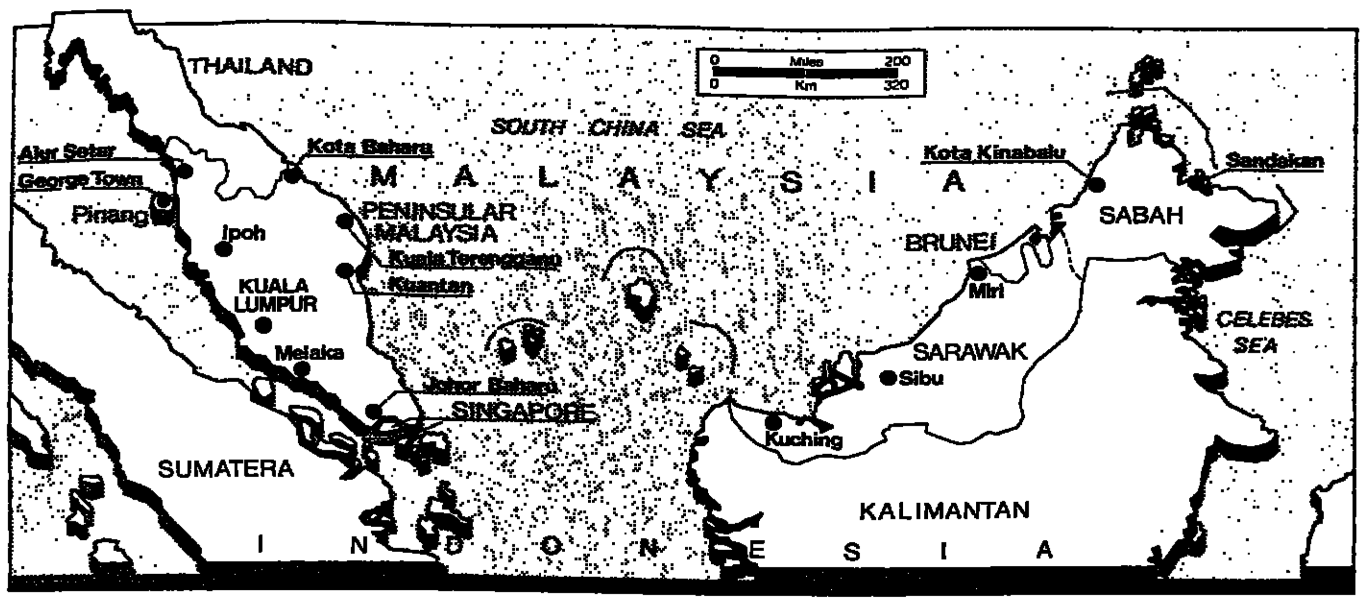
Among the recommendations is to reduce the size of the current palm oil kernel contract to 10 tonnes, and permit delivery of the commodity in bulk.

Reviving the market for rubber, originally traded on the old Malaysian Rubber Exchange, may prove more difficult. Prices are currently firm with increased demand from manufacturers of condoms and surgical gloves, as a result of the AIDS epidemic. The current high costs of synthetic substitutes is also a factor.

However, much of the trade is still conducted away from the floor of the exchange, through direct deals between consumers and producers. As a result in Kuala Lumpur, the dealing community, which has traditionally been Chinese, has shrunk dramatically.

The move into tin futures could turn out to be more problematic still. Despite efforts by the Association of Tin Producing Countries (ATPC) to boost prices by limiting exports, overhang stocks continue to depress the market. However, Mr Jabbar says the KLCE could provide a badly needed hedging facility once prices improve, bringing speculators again to the floor. "Everyone tries to attract the speculator," he says. "With a futures market we offer something for the bulls and bears."

Tin ingots being cast at Datuk Keramat Smelting Plant in Penang



Nation celebrates 30 years of independence

THE FEDERATION of Malaysia this year celebrates 30 years of independence—the country changed its name from Malaya to Malaysia in 1963 with the addition of the two Borneo states of Sabah and Sarawak and Singapore, although Singapore left the Federation and became an independent country in 1965.

The Federation of Malaysia today comprises the 11 states of Peninsular Malaysia. The country is a constitutional monarchy whose king, the Yang di-Pertuan Agong, is elected every five years by a conference of nine state rulers.

With the ending of the colonial era in 1957, changes were introduced relatively slowly until 1970 when the then-Prime Minister, Tun Abdul Razak, unveiled a "New Economic Policy" to force the pace of change, following racial riots in 1969 which had ultimately led to the early departure from office of the country's first prime minister, Tunku Abdul Rahman.

None of these upheavals were foreseen in 1957 during the optimism of the Merdeka (Independence) Day celebrations.

Among the many regional publications that marked the transition was the Merdeka Souvenir, an impressive 48-page supplement produced by the Singapore Standard. The publication enthused about the hopes of "the new Malaya" with articles on the evolution of the Federal Legislative Council, Malaya's royal rulers and the new country's "architects of freedom."

It profiled, in particular, the first prime minister, Tunku Abdul Rahman Putera, describing him as the Father of Malayan Freedom and the new nation's "man of destiny."

Other leading personalities who were featured included Sir Donald MacGillivray, the last of the line of British High Commissioners in Malaya, who, with Lady MacGillivray, boarded a plane for Britain at Kuala Lumpur airport on August 31 1957, as Malaya became the seventh country freed from British control following World War Two.

Also featured in the Merdeka Souvenir was Dato Sir Cheng-lock Tan, the Malacca-born educationist "who rose to become an elder statesman after 40 years of active public life."

In a nostalgic look at the various regions of colonial Malaya, the Merdeka Souvenir also described the island of Penang as "the oldest British trading post in the Far East."

Ipoh—" the hub of Malaya "—was described as the country's "best-planned town and capital of the 'Silver State' and the heart of the richest tin-bearing valley in the world."

John Williams

Usman Awang, the outspoken Malaysian poet, writer and activist: he has always concerned himself with issues at home and abroad—"an artist cannot be a fence-sitter," he says

State and federal relations

Regional stirrings put strains on federation

RELATIONS BETWEEN the east Malaysian states of Sabah and Sarawak and the Federal Government are in a delicate phase as a result of the emergence of nationalism among the Kadazans and Dayaks.

The Malay leadership in Kuala Lumpur is now confronted with a fundamental political dilemma that has been inherent when the two states joined the Malaysian federation in 1963.

Unlike in peninsula Malaysia, the Malays-Moslems simply do not have the numbers in the two east Malaysian states to ensure political dominance.

In Sabah, of the one million citizens, the largest single racial group are the Kadazans, who form nearly 30 per cent. They are mainly Christians, with a sprinkling of Moslems and animists. Next come the Chinese with 21 per cent. Ethnic Malays and other Moslems constitute about 40 per cent. This delicate balance is complicated by the presence of between 150,000 and 200,000 Filipinos and Indonesians, most of whom are illegal immigrants.

Sarawak's 1.5m population comprise 40 per cent Dayaks, who are also largely Christians, 30 per cent Chinese, 20 per cent Malays and the rest small tribal groups.

Over the years, through the steady process of centralisation and crucial federal intervention during political dispute in the two states, Kuala Lumpur has ensured that the Malay-Moslem elites stay at the apex of the political structure.

This edifice is now cracking under the pressure of Kadazan and Dayak resentment. The two groups are demanding they be given a share of the political power and economic benefits befitting their numbers and status as indigenous peoples.

In May 1985, sabahans—kadazans, Chinese and moslems alike—decided they had had enough of the Berjaya Government under Harris Salleh and dealt it a stunning electoral defeat.

The kadazans grabbed what they saw was their last chance to assert themselves, and gave their leader, Datuk Joseph Pairin Kitingan, and his three-month-old party, Bersatu Sabah, 25 of the 48 state assembly seats.

Tun Mustapha, veteran leader of the Moslem-based United Sabah National Organisation, UNSO, which won 16 seats, tried unsuccessfully to steal the chief ministership from Pairin by beating him to the Governor's residence and getting himself sworn in. A year of tension and harrassment followed, but Pairin was able to extend his support and win more than a two-thirds majority in state elections held a year later.

The Kadazans' success fuelled Dayak aspirations in Sarawak. However, the Dayaks have not quite got their act together. In last April's state elections, Dayak votes were split three ways.

The party, Bangsa Dayak Sarawak, won most of the Dayak-majority seats, doubling its representation to 16, but at the expense of being left out of the new government of Dato Taib Mahmud, a moderate from the Moslem Melanau community.

In both the Sabah and Sarawak polls, the votes of the Chinese community proved to be decisive in determining which indigenous group forms the government.

Regretably, politics in east Malaysia has bent to the forces in west Malaysia and has now become more communal, although most east-Malaysian parties have a multi-racial membership.

The Malay leaders in Kuala Lumpur have yet to articulate a consistent response to the challenge pose by the rise of Kadazan and Dayak nationalism. There are several options, each with its own attractions and risks.

The first is to continue to support the Malay-Moslem leaders in the two states. However, in Sabah, this does not appear feasible at the moment, because most of Moslem leaders have lost credibility. In Sarawak, the bitter family feud between Dato Taib and his uncle, Tun Rahman Yakub, a former chief minister, has split the ruling party, Pesaka Bumiputera, PBB.

The second option is for Dr Mahathir's UMNO party to enter the fray directly, probably by absorbing USNO and PBB. With UMNO's weight, the political pendulum is likely to swing strongly in favour of the Malay-Moslem community. However, this will lead to accusations that UMNO is, coming to "colonise" the two states.

Mainland Malaysians are never very popular in Sabah and Sarawak, and federal leaders are very sensitive to such a charge. Moreover, if UMNO were to set up branches in east Malaysia, it will have to admit indigenous groups who are non-Malay and non-Muslims. This will dilute UMNO's image as a Malay-Moslem party. Worse, UMNO may not win in Sabah and Sarawak, considering the depth of anti-federal feelings. This, say some party members, will be bad for the party which has a winner's image.

Thirdly, Kuala Lumpur can use its influence to persuade the various east Malaysian groups to share power. The racial mix being such, it is obvious no single community can rule the two states on its own. The problem here is which racial group should lead the states.

Sabah and Sarawak together is one and a half times larger than the Malaysian mainland. They are under-populated, but are rich in resources—timber, oil and gas, minerals, agricultural land and hydro-electric potential.

They are also separated from the mainland by a big expanse of sea and this poses special problems for integration and management.

The ceding of Labuan island, with its deep-water harbour, to the federal authorities and its development as a major defence base, has strengthened Malaysian security in a part of the South China Sea where territorial disputes can easily flare up. However, Sabahans feel short-changed by the manner in which the island was ceded away by the previous Sabah administration.

The Sabah Government wants the federal authorities to do something about the illegal Filipino migrants. If they cannot be repatriated, they should then be dispersed evenly throughout the state so that they do not become a security problem and political threat.

East Malaysian leaders feel the federal authorities are encroaching too far into their autonomy. Datuk Pairin wants the federal authorities to keep to the spirit of the famous "20 points memorandum" which both sides agreed when Sabah joined Malaysia. The memorandum gave Sabah a degree of autonomy beyond that enjoyed by the mainland states in such important matters as religion, language, education, localisation and constitutional amendments.

So far, the Malaysian federation has worked well, but new challenges have emerged that require sensitivity, maturity and compromise if the federation is to remain harmonious.

Wong Sulong

The National Monument at Kuala Lumpur. Malay leaders in the capital have yet to articulate a consistent response to the challenge posed by the rise of Kadazan and Dayak nationalism. In general, the Malaysian federation has worked well, although new challenges demand compromise and sensitivity.

Profile: Usman Awang

A Malay voice on world issues

"A POET CANNOT isolate himself from the burning issues of his society, and today, his society is the whole world." This is Malaysian poet Usman Awang's quiet reply when asked why he persists in joining and leading public protests against Zionism, apartheid and similar policies.

In April, he was invited by the Palestinian Liberation Organisation (PLO) to a conference in Algeria, in two capacities—as a well-loved Malaysian writer and as chairman of the Malaysian Peoples' Action committee which held an anti-Zionist demonstration last year.

Requested to speak at the conference, Usman read a poem instead—his "salute to freedom fighters." When the translation was read, the audience response was tremendous.

Usman's poems—and to a lesser extent his short stories, plays and novels—have moved readers and audiences for four decades and in several languages besides his native Malay.

They have been translated into English, Chinese, Tamil, Thai, Japanese, Russian, French and Arabic. True to his expressed stand, Usman has always concerned himself with issues at home and abroad.

His earliest works, though steeped in youthful romanticism, were incisive in condemning colonialism, racism and all forms of injustice in his own country and all over the world.

Maturity has not "mellowed" him: indeed, today he is more openly activist than ever.

"An artist cannot be a fence sitter. He has to decide whether to take the side of the rich or the poor, the oppressor or the oppressed. When it comes to these choices in the world today, how could an artist be neutral?"

In the Malaysian context, nobody could have a more Malay background than Usman. Born in 1929 in Kuala Sedili, a tiny fishing village in the south of peninsula Malaysia, he grew up in a Malay ambience. Only much later was he exposed to other influences through studies, work, social interaction, reading and travel.

Usman's two main concerns for Malaysia are to end poverty and racial polarisation. "The two are linked. They cannot be separated. Only when all races are equally free of poverty can there be unity," he says.

Adibah Amin

Business guide

Relaxed but never lazy

THE FOREIGN businessman should find his way around Malaysia quite easily. Transportation is good and telephones work most of the time.

The people are friendly and hospitable. English is widely used, particularly in the private sector.

Kuala Lumpur (meaning muddy river mouth) is a pleasant city of one million where traffic jams are tolerably short. The pace is relaxed but never lazy.

Taxis are about the cheapest in the world. A ride from Subang international airport to Kuala Lumpur, a distance of 14 miles, costs less than 20 ringgit. There are more than half-a-dozen car rental companies in the city, including Avis and Hertz.

There are no restrictions on import or export of foreign or local currencies by travellers. Only for transactions in and out of the country of over 10,000 ringgit is an explanation required by the central bank.

Government offices start at 8.15 am and close at 4.15 pm, while the private sector begins at 9.00 am and closes at 5.00 pm Monday to Friday. (Half day on Saturday.)

Banking hours are from 10.00 am to 3.00 pm on Monday to Friday and from 9.30 am to 11.30 am on Saturday.

In the predominantly Moslem states of Johore, Kelantan, Trengganu, Kedah and Perlis, Thursday is a half working day and Friday is a holiday, while Saturdays and Sundays are full working days for government offices.

DRESS: for a businessman, a tie and long-sleeves is appropriate daily wear or a safari suit. A jacket is necessary on more formal occasions or for appointments.

A long sleeve batik shirt is acceptable for most evening functions, unless the mode of dress is specified.

BEHAVIOUR: Malaysia, being a complex, multi-racial country, it is important to remember that behaviour quite acceptable by one community may be frowned upon by another. Modesty is the catchword for dress, manner and speech.

Certain issues, such as the position of the sultans, the special privileges for the Malays *and citizenship for non-Malays*, are highly sensitive and the businessman should avoid them altogether in casual conversation.

ENTERTAINING AND EATING OUT: Malaysia is literally a gourmet paradise, with its wide selection of Malay, Chinese, Indian, Nonya (Straits-born Chinese) and western cuisine. When entertaining a multi-racial group, liquor may be served but should not be offered *to Moslems. No liquor is served* at Malaysian government functions.

Among the local fare, try nasi lemak (rise marinated in coconut milk, served with curried beef, peanuts and vegetables) or murtabak (a mixture of eggs, dough, onions and minced meat) or satay (roasted skewered meat served with sweet peanut sauce).

SIGHTSEEING: from Kuala Lumpur, a busy businessman can spend a pleasant weekend at historical Malacca, or Frasers Hill, both two-and-a-half hours by car. For the more adventurous with more time, a stay at Taman Negara, the national park, or a visit to Sabah or Sarawak would be a worthwhile experience.

HOTELS: Kuala Lumpur: Shangrilla Tel: 2322388; Hilton: 2422122; Pan-Pacific: 2936555; Regent: 2425588; Ming Court: 2619068.

Penang: Rasa Sayang: 811811; Eastern and Oriental: 375322; Golden Sands: 811911.

Kota Kinabalu: Hyatt: 219888; Tanjong Aru Beach: 58711.

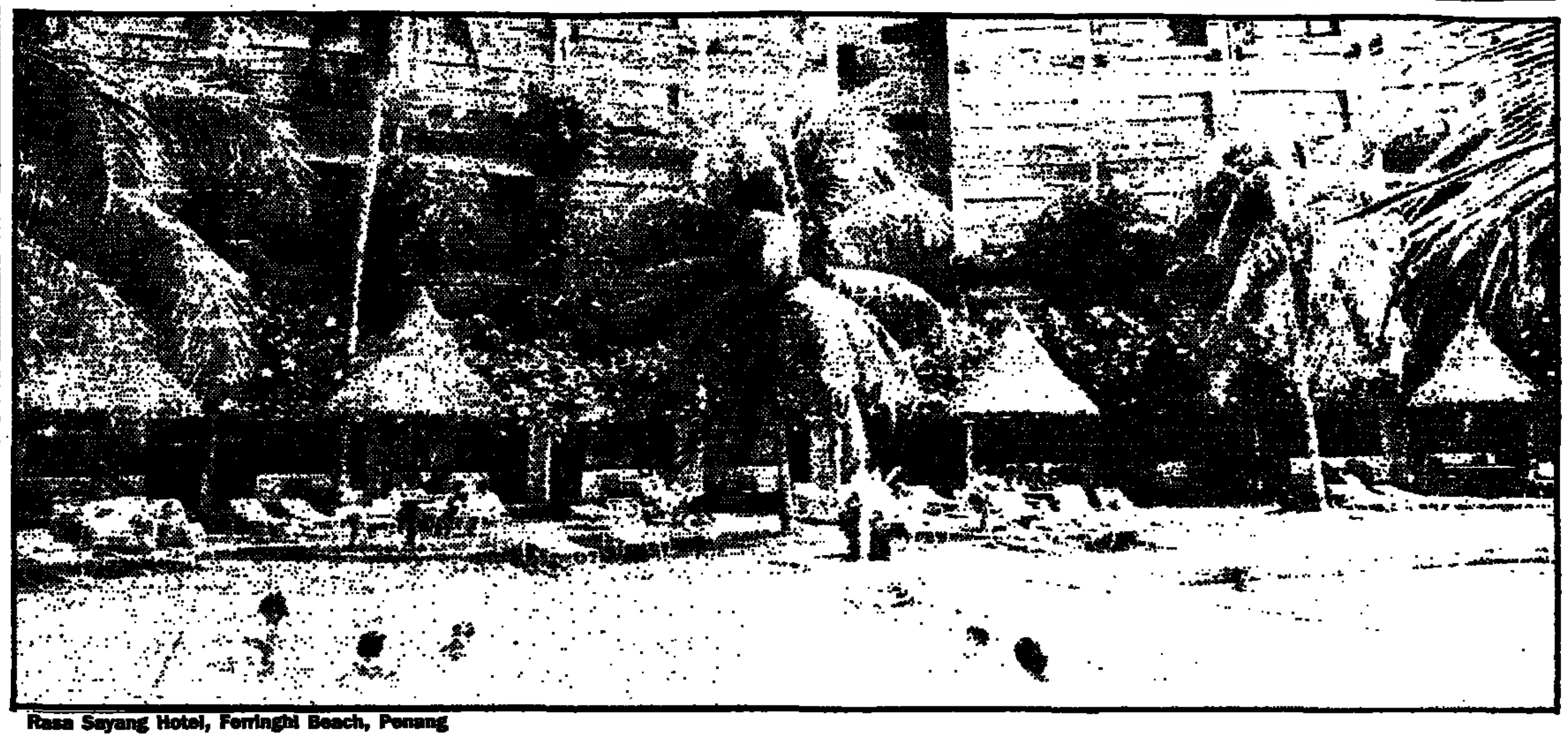
Kucing: Aurora: 20281; Holiday Inn: 423111.

Most hotels and some restaurants have a 10 per cent service charge plus 5 per cent government tax. Further tipping is discretionary.

A WARNING: Malaysia has the toughest drug laws in the world, and makes no apologies for them. Possession of heroin or morphine above 15 grammes is considered trafficking and punishable with a mandatory death sentence upon conviction.

Wong Sulong

Batik factory, at Rawang



Rasa Sayang Hotel, Ferringhi Beach, Penang

Tourism development is controversial issue as John Murray Brown reports

A campaigner in the cabinet

FOR A COUNTRY that provided the location for the film South Pacific, Malaysia finds it surprisingly difficult to attract tourists.

Its magnificent beaches too often seem to lose out to the shopping centres of Singapore, or Bangkok which offers nightlife and a lot more besides. Kuala Lumpur is quiet by comparison, a city of trees and pavillions and what must rate as one of the world's grandest central railway stations.

The government has just appointed its first minister of tourism and culture, Mr Sabbarudin Chik, a former deputy finance minister who still appears more at home discussing the best level for the ringgit, than answering complaints about the price of beer in Kuala Lumpur's half empty hotels.

From his office high in one of the capital's most prestigious commercial blocks, Mr Chik is busy marshalling what is to be the most ambitious advertising campaign the industry has ever undertaken.

"We have to relate our promotion here in Malaysia with what is available in Singapore and Bangkok," says the minister, whose pending tray is currently awash with parliamentary questions about his new post which has full cabinet status.

Some fellow politicians apparently worry that "tourism" might drown out the country's "culture."

Unravelling the confused official statistics is perhaps the minister's first task. Though the Tourist Development Corporation (TDC) pitches the number of visitors at around 3m a year—roughly the same as Singapore—the figure barely disguises the fact that as many as 2m are probably visiting family and friends.

"This," says Mr Noel Hawkes, vice-president of the Malaysian Association of Hotels, "is the reason why per capita expenditure by tourists here is the lowest in the whole of south east Asia." Mr Hawkes, nonetheless, warmly welcomes the government's decision to give tourism a full ministry, at a time when the economy is pulling through its worst recession in a decade.

"*If handled* properly *it* could be very successful," he says. "Tourism could provide the silver lining in an otherwise rather dark cloud."

Mr Hawkes is quick to pinpoint the two main drawbacks of Malaysia as a tourist destination—its lack of accessibility and its hazy international image. *Presently there are just* 72 international flights every week into Kuala Lumpur, compared with around 1,000 innto nearby Singapore.

Few incentives are given to airlines to bring the long haul passengers—the people to fill Kuala Lumpur's hotels and resaurants, spending badly needed foreign exchange. Indeed UTA, the French airline recently called off plans to open a route to Kuala Lumpur.

North West Orient, out of Los Angeles also stopped flying once Malaysian Airlines (MAS) started up a competitive run to the US. Image is a more serious problem. In past years the TDC spent little on advertising with the result that few outside Malaysia, in key markets like Japan know the delights of its beaches, its cool hill stations or its exotic jungles.

The outside world is still more preoccupied with Malaysia as an islamic country, the place where drug traffickers receive the death penalty. In the short term Mr Hawkes and those like him running hotels in Kuala Lumpur and other cities realise that profitability may be some way off.

The property boom three years ago resulted in a huge *oversupply of hotel space*, such that according to Mr Hawkes, some Japanese tour operators are now able to demand 50 per cent discounts on what are already knock down room rates.

With occupancy barely above 30 per cent it will be some time before hotel business will be back to the levels enjoyed in the early 1980s. A report by Arthur Young and company last year said hoteliers should not expect a better year before 1988.

"*In 1987* a *weakened ringgit* may induce increased visitor traffic, however, with the continuing recession and more new hotels opening, these factors will unlikely be enough to turn occupancy levels around or do more than just start the industry on the road to recovery," it commented.

The government has still to approve the new minister's budget. He made it clear, however, that promotion would be a priority area. Last year the TDC spent 34m ringgit, while earnings from tourism reached 1.7bn ringgit, the fifth largest foreign exchange earner.

"Our main concern must be to increase the average length of stay," said Mr Chik. This currently works out at 4.5 days per person, with a daily spending rate of just 108 ringgit and the minister is keen to attract more conventions to Kuala Lumpur.

At the travel agents conference (PATA) last year, delegates, all of them on expense accounts were found to have outspent the average tourist by more than four times. Kuala Lumpur offers a central location in the region, a surfeit of good hotels, as well as one of the most lavish conference complexes right next to the minister's *own office*.

Caught between Bangkok and Singapore, the perennial problem yet remains that of persuading foreign airlines to stop in Kuala Lumpur. In pressing for changes in landing regulations, Mr Chik is well aware he may be treading on toes in other ministries, not least in transport, customs and aviation.

"We have to play a public relations role," he explains. "Because tourism cuts across so many othr departments."

The TDC recently launched a new batch of promotion jingles, one of which described Malaysia as "Asia's hidden secret." Mr Chik is out to ensure it will not remain so for too much longer.

The national language has grown rapidly as Adibah Amin reports here

Aspirations have been achieved

MALAYSIA'S National language has grown so fast in the last three decades that you need super-stamina to keep up with it.

Hectic terminology-building began even before the country gained independence from British rule in August 1957: for it had been tacitly agreed for some time that Malay, the lingua franca of what was once called the Malay archipelago, would be the new nation's bahasa kebangsaan—national language.

Eventually, it was envisaged Malay would replace English as the official language and the medium of instruction in the Malaysian education system: English would remain as a second language for academic reference and international relations and the other languages would retain certain inalienable rights.

All these aspirations have come to pass. Today, Malaysians stop a while to take a look at the situation and correct mistakes made in the rush to promote the national language.

With the switch to bahasa (bahasa Malaysia or Malay) as the official and academic language, and the political playing-down of English, lest it threaten the position of bahasa, the standard of English in Malaysia has fallen alarmingly.

Now that bahasa is securely entrenched, steps can be "safely" taken to strengthen the command of English among young Malaysians.

Bahasa itself, though unassailable in position, is facing problems related to rapid growth.

For centuries, it has been essentially a language of literature, religion, philosophy, politics and traditional trade. To cope with its new roles it has had to acquire a wealth of vocabularly in science, technology and modern commerce.

Some 100,000 terms have been coined with official blessing, and tens of thousands more without. Somehow the terminology growth has kept pace with the urgent needs of students in various disciplines as they move from primary to secondary to tertiary level right up to Ph.D.

Everyone concerned agrees, however, that the time has come for consolidation and co-ordination. The dewan bahasa and pustaka (Institute of Language and Literature), the examination syndicate, the universities and the mass media are making a concerted effort towards a consistent terminology.

Bahasa is now the official language and the medium of instruction.

Interestingly, the Indonesia/Malaysia language council has published a two-volume, 1,601 page collection of terms agreed upon in 17 marathon sessions from 1974 to 1985—about 75,000 terms in all, concerning 65 disciplines and sub-disciplines.

This is most encouraging for Indonesians and Malaysians who are anxious to reunite bahasa Indonesia and bahasa Malaysia into a common language spoken and written by 180m people.

The two languages are modern developments of bahasa Melayu, i.e., Malay. Bahasa Indonesia has tended to adopt and adapt Dutch terminology whereas with bahasa Malaysia it is English.

Fortunately, Dutch and English are close enough to each other to enable satisfactory compromises. Besides, a vast proportion of the scientific terminology comprises words of Greek and Latin origin which have gained universal currency.

The unifying work has begun in earnest—within each language and between the two languages, but the process will be neither quick nor easy.

Though the terminology-builders are all for unity, several are reluctant to give up their cherished ideas.

Like English, Malay has for centuries been blithely "borrowing" foreign words. Besides the recent borrowings from English, Dutch, and indirectly Greek and Latin, there are the earlier loan words from Sanskrit, Arabic, Persian, Portuguese, Tamil, Chinese, Javanese and other languages of the Malay world.

Throughout the years Malaysian terminology committees have had heated arguments on whether to use a word which is already in the language or to acquire the current English or universal term.

Those belonging to the first school of thought are further divided into groups favouring indigenous Malay words, Sanskrit loan-words and words borrowed from Arabic.

Upholders of the other school are subdivided into adopters and adapters—the former declaring that it is most convenient to use an English or universal term unchanged and the latter insisting on giving the word a Malay look or sound.

Many terms are combinations of indigenous and borrowed words of various origins being compromise solutions after fierce arguments.

Ask what the term for corporate image is, and you will get a number of answers—citra kumpulan syarikat, citra syarikat, citra perbadanan, imej kumpulan syarikat, imej syarikat, imej perbadanan.

Citra is from Sanskrit, kumpulan an indigenous word, syarikat from Arabic, perbadanan an Arabic loan-word with Malay affixes, imej from English.

The Indonesia-Malaysia collection give two terms—imej syarikat and citra kumpulan syarikat, noting that the former is used in mass communications and printing and the latter in business administration, public management and plantation management.

As for the adopters vs. adapters tussle, at one time the adapters were visibly victorious, with auditorium written as oditorium, petroleum at pertroliam, psychology as saikoloji.

In recent years there seems to have been a swing to the other side. You now see auditorium and petroleum exactly as in English and the English psychology only slightly modified to psikologi.

On further enquiry, however, you realise that only the look is identical or similar to the English words, the sound is disconcertingly different.

The "au" in auditorium is pronounced "ow" as in "owlish," the "um" in petroleum as in "oomph," and psikologi is pronounced per-see-co-lo-ghee, the final "gi" as in "ghee," not "gy."

The new sound is hard to take, especially for those who are used to the English pronunciation of the words. If you watch closely, you may catch a pained look in the eyes of television news readers as they dutifully pronounced teknologi (bahasa for "technology") tech-no-lo-ghee.

There is method to this apparent madness. Since bahasa spelling is phonetical and English spelling anything but, the question has been; do we change the spelling of English words to retain the pronunciation or do we retain the spelling and change the pronunciation?

The latest thinking is that it is better to retain as much of the original spelling as possible to keep the written word universally recognisable: the pronunciation should not cause problems once the phonetic principle is understood.

A university student probably expresses the feelings of his generation when he says: "tech-no-lo-gy or tech-no-lo-ghee, it doesn't really matter, but please no more changes."

"When I was at school, we were all taught to write karban dioksid for carbon dioxide, now it is karbon dioksida!

"I'm told it's close to the original Latin or is it Greek? Anyway it's double Greek to most of us. I'm happy to hear the experts are getting together to make up their minds once and for all."

But even if the experts can agree on all points, a language has its own life and develops according to its peculiar genius. It belongs to all the people who speak and write it, and usage often goes against the best-laid schemes of language planners.

Purists once rejected radio and bicycle and tried to popularise their indigenous creations, tetuang udara, and kereta lereng.

Later, Arabic-orientated language architects wanted iktisad and siasah to be used for economy and politics. Neither group succeeded. The people kept using the colonial words, assimilating them into bahasa vocabulary as radio, basikal, ekonomi and politik.

Still, this does not mean the experts should stop trying. Their role is to bring some order and direction to the natural growth of the language and to create a healthy balance between discipline and burgeoning life.

Prime Minister to address London seminar

MALAYSIA'S drive to attract foreign investment has been helped by the liberalisation of its policy on foreign equity participation and the 1986 Promotion of Investment Act, which provides attractive tax incentives for the manufacturing, agriculture and tourism industries.

More than 1,200 international companies have already located their projects in Malaysia and the country is keen to attract more UK businesses to invest there.

The Malaysian Prime Minister, Dr Mahathir Mohamad, will be participating in a special one-day business seminar at London's Hilton Hotel on Wednesday, July 22.

The event, entitled "Malaysia: your profit centre in Asia" will allow UK delegates to meet Malaysian businessmen and senior government officials who will accompany the Prime Minister, and to dicuss possible business opportunities in Malaysia with them, along with details on the latest political and economic developments.

Participants

The Peat Marwick McLintock seminar will be chaired by Lord Richardson, the former Governor of the Bank of England and Lord Kindersley, chairman of the Commonwealth Development Corporation. In addition to Dr Mahathir Mohamad, who will give the keynote speech, other speakers include:

- The Malaysian Minister of Trade and Industry, Datin Paduka Rafidah Aziz, whose subject will be: "Investment policies and opportunities."
- Senior Partner of Peat Marwick McLintock in Malaysia, Mr Paul Geh, will speak on the theme: "Why Malaysia?"
- Mr John Wilcock, managing director, Malaysian Oxygen: "Investment experience of a British company in Malaysia."
- Dato Ahrmad Sarji Abdul Hamid, chairman of the Malaysian Industrial Development Authority: "Investment incentives and facilities in Malaysia."
- Mr Eric Hurst, chairman, Lewis Woolf Griptight: "Investment experience of a medium sized British company in Malaysia."

Victory celebration: Dr Mahathir, the Prime Minister, celebrating at the UMNO party elections, with his Deputy, Mr Ghafar Baba

Obstacles to success

Continued from page one

ment.

When it is impossible to go back and costly to go forward, help has to be sought elsewhere. The answer to many of the government dilemmas would be an improvement in world economic growth, a further rise in commodity prices and a rolling back of the tide of protectionism. If that is not forthcoming an even greater emphasis will be placed on the quality of Malaysia's political leadership because in few, if any, countries is there a greater co-relation between the attainment of political, racial and economic goals.

Dr Mahathir's coalition partners privately question whether he will be able to provide it because of his preoccupation with the division within his own party. "How can you work and call for national unity when it cannot be achieved within your own party ?" asked one of them. "He is an intelligent, capable man, but all his energies are going to be devoted to the party and therefore to his own constituency, the Bumiputras. He will not be able to afford, even if he wished to, changes of direction which could be presented as diminishing his commitment to their cause."

If that assessment should be correct it will be a cause for disappointment for many, both inside the country and abroad who appreciate the depth of Malaysia's potential. But then few others have to contend with the complexities of such a racial mixture, or have the cushion of so much natural, material good fortune.

Malaysia's top titles

MALAYSIAN honours and titles are bestowed by the yang dipertuan agong (king) and the sultans and governors of the 13 states. The king is elected by and among the nine sultans on rotation, and serves for five years as Malaysia's head of state.

The main titles are:

Tengku, tunku, raja: denotes a prince. Example: Tengku Abdul Rahman, Malaysia's first prime minister.

Tun: highest federal honour for a commoner, roughly equivalent to a lordship. The title is restricted to 50 persons. Example: Tun Ismal Ali, head of Permodalan Nasional Berhad, the government investment agency.

Tan sri: a federal knighthood, restricted to 195 persons. Example Tan Sri Lee Loy Seng, head of the Kuala Lumpur Kepong plantation group.

Datuk, dato, dato seri, and variations: a knighthood bestowed by the states.

In conversation, with persons carrying the above titles, it would be proper to address them by their titles.

Among common Malaysians, the Malays and Indians have their personal names first, followed by their father's name. The Chinese have their surnames before their personal names.

Wong Sulong